

# Herald INTERNATIONAL Tribune

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## Strong Rise In U.S. Jobs Puts Markets Into Tailspin

Clinton Welcomes News But Wall Street Is Wary Of Quick Rise in Rates

By Keith Bradsher

WASHINGTON — The U.S. economy continued to produce jobs at a brisk pace in July, the government said Friday, triggering drops in financial markets as investors feared the Federal Reserve Board might raise interest rates again soon to prevent any increase in inflation.

Employment grew by 259,000 jobs last month and average hourly earnings rose by 4 cents, to \$11.12, the Labor Department reported. President Bill Clinton welcomed the news, pointing out that employment has now risen by 4.1 million jobs since he took office, half of the 8.0 million jobs that he promised to create during his first term.

But traders and investors in financial markets were much less enthusiastic, worrying that the central bank would interpret rising wages and employment as signs that inflation, now running at slightly less than 3 percent, will pick up. The Dow Jones industrial average closed down 18.77 at 3,747.02, while the price of the benchmark 30-year Treasury bond fell 1 17/32 point, to 84 24/32, taking the yield up to 7.55 percent from 7.40 percent Thursday.

Although job growth was strong, the unemployment rate crept up to 6.1 percent, a statistically insignificant tenth of a percentage point from June. Unlike the figures on job creation, which come from an extensive survey of businesses, the unemployment rate is based on a survey of households.

The household survey has been producing unusual results ever since the Labor Department changed the questions at the beginning of this year, and even department officials have become hesitant to rely on it. "The household survey — since it's a new survey instrument and it's a small survey in terms of the number of people surveyed — is still bouncing around a little bit," Labor Secretary Robert B. Reich said.

Other analysts were less polite. "It's not a reliable number, particularly on a month-to-month basis," said David M. Jones, an economist at Aubrey G. Luntz & Co. in New York.

Wall Street economists said Friday's employment report made it likely that the Federal Reserve Board would raise short-term interest rates for the fifth time this year, quite possibly on Monday but more likely at the next meeting of the Fed's interest-rate policy committee on Aug. 16.

No economic data is scheduled for release Monday, so financial markets may be quiet. A rate increase that day, said Eugene J. Sherman, the director of research at the New York brokerage M.A. Shapiro & Co., "might help the Treasury Department

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Three drivers seeking a drink of water Friday at the Yugoslav border, where trucks headed for Bosnia were blocked.

## After Killings, France Seizes 16 Algerians

By William Drozdzial

PARIS — France rounded up 16 Algerian Muslim fundamentalists and interned them in an abandoned army outpost Friday as the government of Prime Minister Edouard Balladur urged its Western allies to join in a crackdown against Islamic extremists living in exile.

Following the killing of five French citizens in Algeria on Wednesday, Interior Minister Charles Pasqua ordered the arrests of leading Islamic militants, including two imams, and pledged to maintain "a high state of vigilance" against Algerian fundamentalists who have taken refuge in the West.

The detained Islamic militants were

served with deportation orders, Mr. Pasqua said, according to Agence France Presse. He told the France 2 television channel that the deportation order applied to all 16.

France urged the United States and Germany to join in a clampdown on the political activities of exiled leaders of the Islamic Salvation Front, which was banned by Algeria's government after it canceled elections in January 1992 that the Islamic Front seemed certain to win.

But the U.S. and German governments have resisted French appeals in the past, saying that Western countries should maintain contacts with "moderate" members of the Islamic Front because they could prove to be crucial in finding a

political settlement to the strife in Algeria.

French officials argue that the organization serves as a facade for a host of radical factions, including the Armed Islamic Group, which claimed responsibility Friday for the shooting of three French paramilitary gendarmes and two consular officers during an attempt to plant a car bomb in the French Embassy's housing complex.

During a memorial ceremony for the five victims, Prime Minister Balladur condemned the Islamic extremists in Algeria for waging a terrorist campaign that has killed at least 56 foreigners, including 15 French nationals, in the last year.

"An ideology cannot be built on hatred,"

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## Israeli Apology Aimed to Ease Christopher Trip

By Caryle Murphy

Jerusalem — An unusual Israeli apology for mistakenly killing seven civilians, including two children, during a bombing raid in southern Lebanon was aimed at averting an escalation of fighting there and facilitating the visit of Secretary of State Warren M. Christopher to the region, government and other Israeli sources said Friday.

The apology was not unprecedented, but it differed from most Israeli expressions of regret over civilian casualties in its frank admission that a mistake had been made, several Israeli observers said.

It was intended to make clear that Israel was not intentionally violating an understanding brokered by Mr. Christopher last year that ended a weeklong bombing blitz of southern Lebanon.

That action was aimed at pressuring the Lebanese Shiite Muslim militia of Hezbollah to stop its rocket attacks on northern Israel.

Under the agreement ending that Israeli operation, Israel asserted that it would not target civilians who had no connection with Hezbollah in return for an end to Hezbollah's rocket attacks on northern Israel. About 150 Lebanese were killed during that operation.

A government source said that, by apologizing, Israel calculated it could give Mr. Christopher the opportunity to tell Arab leaders, in effect: "Look, the Israelis apologized. They really did not intend for this to come out the way it did," so the agreement ending the operation should stand.

Mr. Christopher is due to arrive in Israel on Saturday for his

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## NATO Jets Punish Bosnian Serbs After Defiant Arms Grab

General Warns Of More Strikes

By John Pomfret

SARAJEVO, Bosnia-Herzegovina — North Atlantic Treaty Organization warplanes attacked a Bosnian Serb position near Sarajevo on Friday in swift retaliation after Serbian soldiers sneaked into a UN weapons collection point and removed a tank and heavy guns in defiance of a NATO ultimatum.

Sir Michael Rose, the British lieutenant general who commands UN forces in Bosnia, said two U.S. A-10 ground-attack aircraft had blasted a 76mm self-propelled "tank buster" on a deserted hillside south of the capital, near Mt. Igman.

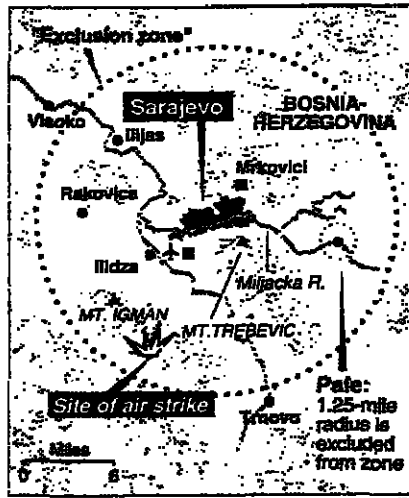
United Nations forces had warned the Serbs to clear their soldiers away from their weapons around Sarajevo an hour before the strike occurred, General Rose said, adding, "We do not think it is part of our business to kill anyone."

French, Dutch and British jets also took part in the operation.

The general, in a news conference following the strike, warned that he had "merely called for a pause in the NATO operation" and that it would continue if Serbian heavy weapons were not returned to UN collection points. The general quoted the chief of staff of the Bosnian Serb Army, General Manjilo Milovanovic, as promising to hand over to UN control at least nine other weapons systems violating the ultimatum.

At 10:10 P.M. the Serbs returned two armored personnel carriers, said a UN peacekeeper spokesman, Major Dacre Holloway, according to a report from The Associated Press. The tank and a mobile anti-aircraft gun, which the Serbs seized along with the two armored personnel carriers Friday, had not yet been returned.

NATO's attack, its third against Bosni-



an Serbs since April, followed two weeks of concerted moves by the Serbs to undermine a Sarajevo cease-fire that had brought almost five months of tranquility and sufficient food to this Balkan capital after a Serbian siege left 10,000 people dead.

Having rejected an international peace plan for Bosnia last week, the Serbs, by reimposing the siege of Sarajevo, killing one British soldier and recommencing mortar and sniper fire into this crumbling European capital, have sought to convince Western powers that further involvement in this mountainous land is not worth the price.

But after tolerating a series of Serbian violations and enduring the Serbian use of big guns around the Muslim enclave of Gorazde, protected by another NATO ultimatum, General Rose chose Friday to act.

"I regret the use of the force," he said, "but there is a limit to how much encroachment" we can accept.

NATO's strike occurred against one of the most volatile political and military

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## Opposition Leader Rejects Nigeria's Offer of Freedom

By Cindy Shiner

LAGOS — The jailed opposition leader Moshood K.O. Abiola on Friday rejected an offer of freedom from a federal high court because it was loaded with conditions, including one that would forbid him from practicing politics.

The Abuja High Court ordered Chief Abiola's release on bail after negotiations between the government and the country's largest labor union. The order said Chief Abiola had to renounce politics, avoid interfering in police investigations and remain in Nigeria, said his wife, Kudirat Abiola.

"Chief Abiola is not interested" in the offer, she said in a telephone interview. She said he instead would start campaigning from inside prison for "the actualization" of elections last year.

Chief Abiola is widely believed to have won the presidency in those elections, which the military annulled. On the election anniversary in June he declared himself president and was arrested and charged with treason.

His detention has sparked rioting in Lagos, and a monthlong strike by oil workers pressing for his release has paralyzed the oil-based economy and edged up international oil prices.

The Nigeria Labor Congress, which represents some 3.5 million workers, had tried to work out a deal with the government to secure Chief Abiola's release. The union called off a two-day strike Thursday, saying it wanted to facilitate negotiations with the military government of General Sani Abacha.

Kudirat Abiola said her husband was unaware of the details of a possible deal between the government and the labor congress. "He was not informed of the arrangement," she said.

Meanwhile Friday, oil unions said they would continue their work stoppage regardless of whether or not Chief Abiola was released. "If they do release Abiola, we will be back to square one in the fight to restore democracy in Nigeria," said Wariebi Koj Agamene, president of the National Union of Petroleum and Natural Gas Workers.

The Abacha regime has vowed to return democracy to Nigeria, Africa's most populous nation, and it organized a constitutional conference to chart the way to reform. But government opponents have labeled the conference a sham because it is not sovereign.

Nigeria has been ruled by the military for all but 10 of its 34 years of independence from Britain.

## Democrats Advised to Play Down Clinton Ties in Fall

By Richard L. Berke

WASHINGTON — Admitting that the Democrats face a grim political outlook this fall, President Bill Clinton's chief pollster is advising Democratic officeholders who will be seeking re-election to emphasize their own records rather than linking themselves too closely to Mr. Clinton or even their party.

The pollster, Stanley Greenberg, also recommends that candidates make crime their central issue, not health care or the economy.

Mr. Greenberg stops short of warning candidates to distance themselves from the president, but his recommendation amounts to a tacit recognition that Mr. Clinton's weaknesses could damage Democrats' prospects.

The recommendation is also at odds with comments by officials like the Democratic chairman, David Wilhelm, who has publicly urged party members in Congress to run proudly with their president.

"Democrats make gains in this race running on their accomplishments and their agenda to help people at home," Mr. Greenberg wrote in a memorandum entitled "Strategic Guide to the 1994 Election."

"There is no reason to highlight these as Clinton or Democratic proposals. Voters want to know that you are fighting to get things done for them, not that you are advancing some national agenda."

The document, obtained from a Democratic organizer, was distributed a month ago to a small number of party leaders and officials at the White House.

Though the memorandum says the Democrats face a tough year, it is not entirely downbeat. In fact, it is intended as a blueprint for how Democrats can avoid significant losses in November.

The memorandum is based on interviews and focus groups with voters and candidates in four swing House districts: in a Rocky Mountain state, on the West Coast, in the Deep South and in the Midwest.

All are districts where the incumbent Democrat faces "a genuine battle for re-election," the memorandum says.

The party that wins the White House almost always suffers losses in the next midterm election. The last time the party in power gained House and Senate seats in a

See CLINTON, Page 5

### Kiosk

#### New Counsel Named for Whitewater

##### Up and Coming

This occasional series about the leaders of tomorrow continues in Monday's IET with a profile of William George O'Chee, who at 24 became the youngest person to be elected to Australia's Senate.

##### Money Report

Offshore funds — taxation and regulation reviewed, performances compared, setting up your own fund. Pages 13-15.

##### Book Review

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Newsstand Prices	
Andorra.....9.00 FF	Luxembourg 60 L. Fr
Antilles.....11.20 FF	Morocco.....12 Dh
Cameroon.....1.400 CFA	Qatar.....8.00 Riels
Egypt.....E.P. 5000	Réunion.....11.20 FF
France.....9.00 FF	Saudi Arabia.....9.00 R.
Germany.....300 Dr.	Senegal.....300 CFA
Gabon.....900 CFA	Spain.....300 PTAS
Greece.....200 Dr.	Tunisia.....1,000 Din
Italy.....2,000 Lire	Turkey.....T.L. 35,000
Ivory Coast.....1,100 CFA	U.A.E.....8.50 Dirh
Jordan.....1 JD	U.S. Mil. (Eur.) \$1.30
Lebanon.....US\$1.50	

Dow Jones		Trib Index	
Down	18.77	Down	0.21%
	3747.02		115.72
The Dollar		Ed. data	
New York	1.5797	previous close	1.5873
D.M.	1.5415		1.5857
Pound	100.80		100.475
Yen	5.408		8.4325
FF			

## Dream Team II: The Sequel Resembles a Nightmare

By Harvey Araton

HAMILTON, Ontario — Forget about Michael, for the time being, at least. Forget Magic, and don't even mention Charles or Scottie. Forget all comparisons with Dream Team I because, after 40 inaugural minutes of international competition, the worst suspicions about The Next Generation have already been realized.

From the many tracts of empty seats here at Cops Coliseum to the cool 100 points Spain rung up against the supposed best the National Basketball Association has to offer, it was obvious on Thursday night that so-called Dream Team II is a sequel you wouldn't rush to see just because the original was so tantalizingly good.

The first band of U.S. professionals to grace the World Championships are not exactly the Sacramento Kings, but Magic Johnson was right, Michael Jordan was right, and Shaquille O'Neal and Alonzo Mourning were, well, full of hot air when they insisted the second edition would have run laps around the aging vets.

"I think this was a good lesson for us," the U.S. team's coach, Don Nelson, said after his players, who actually trailed deep into the first half, outgunned the Spaniards, 115-100, in a sloppy, poorly execut-



Shawn Kemp and his U.S. teammates had no trouble dunking the ball, but defense was a stranger as Spain scored 100 points and lost by just 15.

ed and, most of all, shabbily defended opener.

Uh-oh. Time for O'Neal to admit that his dream had some disturbing and recurring aspects to it. Mainly the Spanish players' ability to consistently break down the Team USA defense and kick the ball out to the perimeter for all kinds of open jumpers. And the Americans' inability to dominate the competition with full-court pressure. The way the you-know-whos were able to do from the moment they were unleashed at the Tournament of the Americas two years ago.

"We're not trying to blow these teams out by 50 or 60 points," said O'Neal, the one player the Spaniards seemed legitimately afraid of. "We're just trying to win the game."

Good try. Though it seems juvenile that the American pros believe they must bury all comers to protect their status as the supreme global marketeers of basketball shoes, among other products. It had to be somewhat alarming to the NBA contingent to observe the Spaniards demonstrate slicker passing, more patience and, O'Neal aside, little fear of the U.S. defense.

"No one has ever scored 100 points against a Dream Team," Spain's coach, Lolo Sainz, said with pride. In fact, the

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# Emptied, Rwanda Is an Echoing Chamber of Horrors

By Paul Taylor

Washington Post Service

KIGALI, Rwanda — After the slaughter, after war and now after cholera, Rwanda is a nation that has been decapitated.

It is largely without an operating physical infrastructure. It is without a police and judiciary. It is without a civil service. It is without a currency, its Central Bank having been emptied by fleeing soldiers. It is without much of its elite of doctors, businessmen, clergy and professors, who were hacked to death precisely because they stood for ethnic tolerance.

It is also a nation that is missing a staggering percentage of its population. Up to half a million Rwandans were killed in the genocide that began after Rwanda's president died April 6 when his plane crashed at Kigali's airport. Many observers say the plane was shot down by Rwandan rebels.

Twenty-four thousand more have died of cholera and other diseases. Four million have fled their homes; half of them to another country. All of this, starting from a population base of 7.7 million.

The month-old government that inherits this chamber of horrors is led by the Rwanda Patriotic

Front, dominated by members of the country's 14 percent Tutsi minority. The rebels' military victory last month capped a centuries-old struggle whose latest chapter began when Rwanda's Hutu majority took control of the country from their historic overlords, the Tutsi, at the time of independence from Belgium in 1962.

With one hand, this new government must prosecute the Hutu extremists who slaughtered hundreds of thousands. With the other, it must reach out to the Hutu masses, who make up 85 percent of the population, and convince them that the guiding principle of the new government will be reconciliation, not revenge.

At the same time, the new government must keep an eye on the Hutu militia and soldiers who fled last month into neighboring Zaire, and who are now talking about regrouping and counterattacking.

The United Nations military commander here, Major General Romeo Dallaire, says it is difficult to imagine such a demoralized, routed rabble posing a serious military threat in the near term. But it is not difficult to see them becoming a nuisance as bandits who stage occasional cross-border raids — or to see them becoming a rebel force in exile that gathers in strength over the

years, just as the Rwanda Patriotic Front did from Uganda over the course of a generation.

So far, the new government is getting high marks from UN and other foreign diplomats here. It has formed an ethnically balanced cabinet, installed Hutu as president and prime minister, and given assurances that there will be international participation and full transparency in any genocide tribunals.

But the government's signals have not yet persuaded the Hutu refugees to come home. Of the more than 1 million who fled to Zaire when the front took power last month, fewer than 100,000 have returned, despite the horrific conditions in the refugee camps along the border.

When Prime Minister Faustin Twagiramungu, a moderate Hutu, says the problem is that "our message has not been getting through," he means to be taken literally. The new government does not yet have radio signals strong enough to broadcast its reassurances to the refugees, although the United Nations plans its own broadcasts.

For now, the refugees are getting a relentless diet of Hutu extremist propaganda. The rumor in the camps is that any Hutu who returns will be

killed in the most gruesome way imaginable. It is being spread by the militia and soldiers who encouraged the mass exodus in the first place, part of their strategy to cede the country to the Patriotic Front but take the population with them.

Some Hutu refugees will never return, because they took part in the atrocities. Even those whose hands are clean will need a lot of persuading.

"For a generation, the Hutus had been taught to believe that if the Tutsi came back to power, they were all going to be killed," said Abdul Kabia, executive director of the UN mission in Rwanda.

All the top leaders have given assurances that if the Hutu refugees come back, the innocent will be protected. They also pledge that elections will be held, although the new president, Pasteur Bizimungu, has said it may take five years, more than double the time envisioned in the power-sharing agreement reached last August.

The new government has spoken of holding genocide trials for 20,000 to 30,000 officials, militia and military figures of the former government, a figure that Kabia calls "alarming" and not conducive to reconciliation.

## WORLD BRIEFS

### 47 Die in Russian Air Crash, Shaking Already-Troubled Aviation Industry

MOSCOW (Reuters) — Forty-seven people were killed Friday in Russia's third major air disaster this year, casting a further pall over the country's troubled aviation industry.

The Defense Ministry said an Antonov-12, a huge military transport similar to the U.S. Hercules C-130, crashed on landing at an airfield in Siberia, near the Chinese border. The 39 military personnel, two relatives of officers, and six crew members on board were all killed, a spokesman said.

The cause of the crash was not known, but the plane came down 4.5 kilometers (3 miles) short of the runway. Heavy rain was hampering the investigation.

The disaster was a further blow to Russian aviation, which has already been shaken up by the upheavals of recent years and the breakup of the Soviet-era monopoly Aeroflot. The press agency Itar-Tass said 270 people had been killed in air crashes in Russia this year and that the accident rate was significantly higher than that in other countries.

### Malaysia Bans Radical Islamic Sect

KUALA LUMPUR (Reuters) — Malaysia on Friday outlawed Al Arqam, a radical Islamic sect that has grown rich and powerful while arousing security concerns around Southeast Asia.

Prime Minister Mahathir bin Mohamad promised "to break up its communes" if the sect continued to teach its "deviantist" brand of Islam.

Al Arqam, a mystical Sufi sect with 100,000 followers that believes a messiah is coming soon before a prophesied doomsday, is now forbidden, under a decree issued by the National Fatwa Council, to run its many businesses and schools or spread its teachings.

### British Discharge 260 Homosexuals

LONDON (Reuters) — The British Defense Ministry has discharged 260 military personnel for being homosexual, according to figures made public Friday by a member of Parliament.

They included army majors, a Royal Air Force squadron leader and two chaplains. Some of those dismissed may take the government to the European Court of Human Rights and sue for damages. Defense officials say homosexuality is not conducive to good military discipline.

A Labor member of Parliament, Barbara Roche, said of the 260 dismissed since 1990, "They are treated appallingly, with investigators asking intimate questions and searching their personal belongings."

### TWA Briefs U.S. on Survival Plan

WASHINGTON (WP) — Company officials and union leaders from Trans World Airlines Inc. have outlined a survival plan to top Clinton administration officials that they hope will keep TWA flying beyond this winter.

Transportation Secretary Federico Peña and Labor Secretary Robert Reich were told that TWA's cash reserves have dwindled to just over \$100 million — considered low for a large, cash-dependent company — and that summer travel, while heavy, has not been up to expectations, according to sources.

TWA said that it would slash 3,000 jobs from its payroll. Other steps, all to be taken within the next month, include renegotiation of union contracts to cut \$130 million a year from the airline's costs, which remain among the highest in the industry despite concessions connected with the restructuring. The renegotiations will focus on work rules and no further wage cuts will be sought.

## TRAVEL UPDATE

### Southern France Air Delays to Linger

AIX-EN-PROVENCE, France (AFP) — French air traffic controllers, who have caused holiday chaos in southern Europe, are to resume normal work hours starting Saturday, but weekend delays are expected to last until the end of the summer.

Controllers based in Aix-en-Provence, who had refused to work overtime since July 11, agreed to work a normal summer week of 36 hours, instead of 32 hours, from Saturday.

Having failed to obtain extra staff, they had accepted a conciliation procedure over retirement conditions and did not want to become social outcasts for the trouble they had caused, regional union official Pierre Bossy said.

British rail supervisors voted decisively against joining signal workers in a seven-week old pay dispute, in what was seen as a severe blow to the strikers' strategy. Further industrial action is planned on Aug. 12, 15 and 16, successive working days. (AFP)

Striking SAS Commuter flight attendants agreed to return to work while their union attempted a new round of wage talks. (AP)

After a glitch, high-tech baggage system twice delayed the opening of Denver's new airport, the city will spend still more money to build a low-tech alternative: the old-fashioned conveyor belt. (AP)

Six months after opening the biggest casino resort in the United States, MGM Grand Inc. has announced plans to open a second, albeit much smaller, gambling center across the street from its \$1 billion complex on the Las Vegas strip. (NYT)

## Death Toll In Camps Drops to 500 a Day

Compiled by Our Staff From Dispatches

GENEVA — The number of deaths among Rwandans in the Goma refugee camps has dropped to 500 a day from a high of 1,800 a day at the end of July, a United Nations spokeswoman said Friday.

But the official, Sylvana Foa, said the mortality rate was "still unacceptable" and that the UN High Commissioner for Refugees was "still very scared about dysentery."

She said the death rate among dysentery victims was about 10 percent, and added that most of the deaths registered over the past few days were due more to dysentery than cholera.

About 50 percent of the refugees' water needs are now being met with the distribution of some 2 million liters (500,000 gallons) per day, but the UN agency "needs \$70 million fast" to buy aircraft fuel that would allow more deliveries.

The agency also said it was short of antibiotics to treat dysentery.

In Zaire on Friday, a radio station started broadcasting to Rwandan refugees as part of stepped-up UN efforts to get them to leave the camps and return home. Radio Gatashya began by advising the almost 1 million refugees of the need for sanitation to prevent disease.

Panos Mountzis, a UN refugee agency spokesman, said about 800 battery-operated radios had been distributed in the camps.

The station, operated for the UN agency by Journalists Without Borders, a French relief group, is broadcasting hour-long programs three times a day in French, Swahili and Kinyarwanda, the language spoken by most Rwandans.

Most refugees in eastern Zaire are Hutu, who fled fearing retribution from a victorious Tutsi-led rebel army.

The UN said defeated Rwandan soldiers and exiled former government officials have created fear among the refugees, telling them they will be slain by Tutsi if they leave.

Thursday, the new prime minister, Faustin Twagiramungu, said the government was looking for 32,000 people linked to the massacres of Tutsi that began in April.

UN officials, meanwhile, warned of rising tension among the refugees in eastern Zaire. A Zairian soldier, who witnesses said demanded money from a refugee, was hacked to death, Mr. Mountzis said. (AFP, AP)



A Rwandan refugee carrying water Friday through a crowded camp near Goma, Zaire. Only about 100,000 of the refugees have returned to Rwanda.

## Hutu Refugees and Zairian Troops Make Fatal Mix

By Keith Richburg

Washington Post Service

GOMA, Zaire — Violence has erupted at two of the largest camps for Rwandan refugees, leaving two Zairian soldiers and one refugee dead and underscoring the tensions between the million-plus Rwandans who have fled here and the poorly paid, ill-disciplined soldiers resentful of the massive influx.

In an incident on Wednesday, a Zairian soldier was stoned to death by refugees while trying to steal a car out of the Kibumba camp, the largest refugee settlement, according to an account by the United Nations High Commissioner for Refugees. In another incident, at the Katala camp on Thursday, refugees armed with machetes hacked to death a Zairian soldier suspected of

extorting money and property from the refugees.

Food distribution was suspended at the Katala camp following the machete attack, said Panos Mountzis, spokesman for the UN refugee agency here. He said the refugees who killed the soldier stole two rifles the soldier was carrying and still have the weapons in their possession.

The violence continued Friday when about a dozen Zairian soldiers began breaking into refugee huts at the Kibumba camp, ostensibly on a search for weapons. They began stealing radios, mattresses, and at least three goats from the refugees when an angry crowd formed.

The soldiers opened fire, and Mr. Mountzis said one refugee, an elderly man, was shot dead, and three were wounded.

Mr. Mountzis said his agency had asked the Zairian authorities to increase security on the perimeter of the camps and rein in the soldiers, who have been terrorizing the refugees since they first crossed the border en masse last month.

Mr. Mountzis said he had witnessed Zairian troops looting personal possessions from refugees at the height of the exodus into Goma. He said that among the favorite items taken by the soldiers have been cars brought here by refugees.

He said tensions remained high at the two affected camps, and relief officials would decide later whether to resume food distribution at Katala.

Earlier this week, Mr. Mountzis said the UN had complained to Zairian officials about the behavior of Zairian

troops at Goma's airport. The soldiers, armed with rifles and automatic weapons, were surrounding planes loaded with relief supplies and helping themselves at gunpoint to some of the aid. He said Friday that the airport looting appeared to have stopped after the complaint.

The violence brings to the fore the concern of relief agencies and others that the massive influx of Rwandan Hutu into Zaire, among them soldiers and militiamen suspected of massacres inside Rwanda, and the presence of Zairian troops who make their living through extortion and looting had created here in remote eastern Zaire a volatile mix that would soon erupt.

"You have two very, very violent groups," Mr. Mountzis said.

### War Risk Seen in Burundi

Burundi risks slipping into the same clan carnage as its neighbor Rwanda without international preventive action, the rights organization Amnesty International declared on Friday, Reuters reported from London.

An Amnesty International mission just returned from Burundi painted a grim picture of a country riven by the same tribal hatreds as Rwanda.

It is also polarized to the point of territorial "apartheid" after bouts of "ethnic cleansing" carried out by armed militias.

Armed factions and government forces are killing hundreds of people every month in Burundi with effective impunity as the justice system has virtually broken down, Amnesty said.

### Puma on Loose In the Forests North of Paris

Reuters

PARIS — Gendarmes backed by a helicopter are hunting for a puma that escaped from a cage at Charles de Gaulle Airport two weeks ago, the police said Friday.

The cougar, weighing about 60 kilograms (130 pounds), has been spotted several times in forests north of Paris but has managed to elude capture.

Experts said the cat, which had been flown from Latin America, was evidently frightened and was unlikely to attack people.

## Iran Clamps Lid on Riot-Torn City

Reuters

TEHRAN — The police imposed a near state of siege on the riot-torn Iranian city of Qazvin on Friday.

"Police are stationed at every 20 meters in the main streets. They stop and question people and check cars," a businessman in Qazvin said.

"We have had something like an undeclared state of siege from last night," he said by telephone, adding that sporadic gunfire could still be heard throughout the city.

The businessman said that according to unofficial reports in the city up to 13 people had been killed and 80 wounded since the riots began Wednesday over rejection of the city's demand to become a province.

A journalist in Qazvin on Thursday put the toll at three killed and 50 wounded. No official toll has been released.

Another Qazvin resident reached by telephone said: "It has calmed down. There is no more rock-throwing and 'fire-burning'."

He said protesters had hit Ahmad Naeini, a Qazvin deputy in Parliament, with rocks.

But residents said that Friday prayer services were held apparently without incident.

Riots swept the city, an industrial and agricultural center, 140 kilometers (85 miles) northwest of Tehran, after Parliament narrowly rejected a bill to separate it from Zanjan Province.

Becoming an independent province would have boosted Qazvin's influence and provided more jobs in administration.

Residents said Qazvin's demands stemmed from ethnic differences with Zanjanis — the former are Persians, the latter Azeris — and perceived preferential treatment given to Zanjan since before the 1979 Islamic revolution.

### Armenian Chief to Visit U.S.

Reuters

YEREVAN, Armenia — President Levon A. Ter-Petrosyan will travel to the United States on Sunday and is scheduled to meet President Bill Clinton on Tuesday.

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# THE AMERICAS / MATTER OF LIFE OR DEATH

## Survivor of 3 Wars Is Slain Trying to 'Keep the Peace' in Abortion Conflict

By Sam Howe Verhovek  
New York Times Service

PENSACOLA, Florida — James H. Barrett flew in northern Africa in World War II, in Korea and in Vietnam, and he retired as a lieutenant colonel in the Air Force after 28 years of service. Then he took up a second career as a schoolteacher in Texas and Maryland.

So when he finally retired for good, he was 72 years old, he joked to his friends that he had earned the right to take off on every single hole of every single one of the 41 golf courses in the Pensacola area.

He never came close. He was too busy volunteering for local charities, from walking in the March of Dimes to manning the Earth Day table at a local fair. And after an abortion doctor, David Gunn, was shot to death last year, Mr. Barrett became so angry that he volunteered to be an escort for Dr. Gunn's replacement, so that it would never happen again.

Having fought in three wars on foreign soil, the 74-year-old Mr. Barrett was not to survive a fourth, in his own country. He was killed along with the new doctor July 29 as he drove his pickup truck into the parking lot of the Ladies Center, an abortion clinic. His wife, June, who is 68, was with him at the time and was shot in the arm. She was released from a hospital on Sunday. The police have charged a 40-year-old abortion opponent with murder.

In the days since the killings, much attention has been given to the man arrested, Paul J. Hill, and to the doctor, John B. Britton. Mr. Barrett, though, was part

of a wider group in Pensacola, one of more than five dozen people — many of them military retirees — willing to assume the risks of escorting women and health-care workers into the clinics. The escorts have often had to thread their way through throngs of protesters bearing placards and shouting, as Mr. Hill frequently did, "Mommy, Mommy, don't kill me!"

Mr. Barrett said he saw escorting as an extension of his military service.

"My dad was a military man, and there's a stereotype of the military man, that he's all about war," his daughter, Dandy Barrett Witty, said the other evening as relatives gathered on the back porch of the Barretts' ranch-style house. "But Dad taught me from the time I could understand that his primary mission was to keep the peace. That's what his feeling was the day he died. That's what he was doing the day he died."

Mr. Barrett was very direct about why he had chosen to serve as an escort. "I've spent my life doing my best for the security of my country and the people who live in it," he told a local newspaper last year. "Why should I stop now?"

Mr. Barrett was in many ways a conservative man, but the question of whether his own thoughts on abortion had undergone a transformation is complicated. Even his widow and his children say they are not exactly sure where he stood on the issue.

"My dad may not have been pro-abortion," said his daughter, Ms. Witty, "but he was most assuredly pro a woman's right to choose. He felt very strongly that she

had that right, and that she should do it safely and without harassment."

There was evidence that his opinions on other issues had grown more liberal over the years. In the 1950s, for instance, when stationed at Ellington Air Force Base in Houston, he was in charge of a review board that examined the sexuality of service members stationed there and discharged many homosexuals.

Four years ago, on his second or third date with June — both were widowed at the time — she had something to tell him.

"I just want you to know, Jim," she recalled saying, "I have a gay son who is HIV-positive. And I want you to meet him. Well, he accepted that. He got to know my son. He loved my son." The son, Arthur, died in San Francisco last year at the age of 43. Afterward, Mr. Barrett said that he had become deeply disturbed by what he had had to do at Ellington.

Mr. Barrett had been much looking forward to a 75th-birthday party in his honor, planned for Aug. 9 at the officers' club of the Pensacola Naval Air Station. "We are going to celebrate this milestone with a party to beat all parties," read the invitations.

Instead he was eulogized in a memorial service last weekend at the Unitarian Universalist Fellowship. At the service, there were tributes to his military career, and Theresa Hunter, past president of Escambia chapter of the National Organization for Women, said: "That man had more life in him than most people, regardless of their age. He was just a very vital person."

## 'New Theology' Backs Killing

By Laurie Goodstein  
Washington Post Service

WASHINGTON — The Reverend David C. Troesch, a Roman Catholic priest in Mobile, Alabama, teaches that God smiles on those who take a life to save the lives of the "unborn."

The archbishop in Mobile suspended him from his parish last year after Reverend Troesch tried to place advertisements in newspapers saying that murdering doctors who perform abortions is "justifiable homicide."

These days, Reverend Troesch spends his time on the telephone promoting what he calls his "totally new theology."

While his views are denounced by his own church and by nearly all in the anti-abortion movement, he has provided some of the philosophical underpinnings to the loose network of extremists who have resorted to violence against abortion providers. Reverend Troesch said he would not himself kill, because his role is to "teach."

He and Paul J. Hill, who was arrested last week in the killing of a clinic doctor and his escort in Pensacola, Florida, are among 25

people who have signed a declaration justifying the use of lethal force to defend "the lives of unborn children."

Although some among them claim churches and ministries, their groups are independent of mainstream Christian denominations. They include Donald Spitz of Chesapeake, Virginia, and Mike Bray, pastor of the breakaway Reformation Lutheran Church in Bowie, Maryland, who served 46 months in a federal prison for 10 bombings of abortion-rights clinics in 1984 and 1985.

Reverend Troesch said in a telephone interview that it is necessary to defend every fetus from the moment of conception. "By any means necessary," he said, borrowing the words of Malcolm X.

"Please keep in mind that if Jesus had not been allowed to be born, none of us today would have ever been allowed to enter heaven," Reverend Troesch said.

He insists that his beliefs are consistent with Catholic teaching. In June he delivered a document to the Vatican asking Pope John Paul II to weigh in on the "justifiable homicide" theory. There has been no response.

## ★ POLITICAL VOICES ★

### Clinton Takes the Rosy View of Economy

WASHINGTON — President Bill Clinton used a rain-interrupted Rose Garden ceremony Friday to claim credit for the nation's good health on the first anniversary of the passage of his economic program. "The future looks good," he declared.

Private economists say much of the current rebound would have happened anyway. But that didn't stop the White House from cheering.

"There is no sweeter anniversary than the one we are celebrating today. We didn't win by much, it was by the narrowest of margins," said Vice President Al Gore, whose tie-breaking vote in the Senate last Aug. 6 sent the measure to Mr. Clinton's desk. The bill raised taxes on the wealthiest Americans and set in motion a process to slash \$500 billion from the deficit over five years.

(AP)

### Health Care: A Class Caught in the Middle

WASHINGTON — Suddenly, the fault lines of class and generation are opening up in the health care debate. In the scramble to transform the system, the poorest, youngest, and, to some extent, the oldest Americans are coming out ahead. Inevitably, some of their gain is coming at the expense of those in the middle.

"The group that is most likely to be helped least, at least as the discussion stands now, is the working middle class," said Drew Altman, president of the Kaiser Family Foundation, a private, nonprofit health care philanthropy. He said that was "a little surprising, since it was the rise of middle-class concern that put this issue on the front burner."

Nor is the irony lost on Paul M. Ellwood Jr., the intellectual father of the "managed competition" theory that Mr. Clinton has said is the foundation of his own approach to health reform. "The political driver of health care reform was not some new-found concern with the have-nots of society," he said. "The political driver was the fact that we had a very worried middle class."

It is by now well known that working people of modest income account for the largest share of the uninsured. But it is becoming just as evident that Mr. Clinton's chief proposal for covering them, a requirement that employers pay 80 percent of their health benefits, has virtually no chance of surviving intact.

(LAT)

### Congress Loses Its Deficit-Cutting Zeal

WASHINGTON — Ever since Congress barely passed the president's long-term deficit-reduction plan a year ago, the political refrain among many Republicans and conservative Democrats has been that the plan didn't go far enough and that voters were demanding more spending cuts.

Yet, given the opportunity, members of Congress have shown a decided reluctance to go much beyond the strict spending strictures laid down in the Clinton plan.

Now, the proposed "A to Z" proposal for throwing open the House to 56 hours of unfettered debate and votes on reducing discretionary and entitlement spending has run out of steam. A highly publicized campaign to collect signatures of 218 House members to guarantee a vote on "A to Z" this year has stalled at 204.

(WP)

### Quote/Unquote

Joel Benenson, a spokesman for Governor Mario M. Cuomo's re-election campaign in New York, on the withdrawal from the race of Howard Stern, talk radio's bad boy: "The campaign won't be the same without Howard." (NYT)

### Away From Politics

• A night-stalking Long Island sniper who apparently selects victims at random and fires through the windows of businesses has struck again, critically wounding a waitress in Stony Brook. Other shootings in nearby Commack left a diner patron dead and a gas station attendant shaken but unharmed.

• Television violence has actually increased during the past two years despite all the attention the issue has received during that time, according to a study by the Center for Media and Public Affairs, which monitored a single day of programming in Washington.

• Fire fighters gained ground on two major wildfires in central Washington, but rainless lightning storms sweeping over the Pacific Northwest started more than 150 new blazes.

• For suffocating 32 puppies on an plane crammed with animals, Delta Airlines was fined \$140,000 by the Agriculture Department. Delta packed the cargo hold of a Boeing 737 with the puppies and another 108 dogs and cats in 58 kennels on a June 6, 1990, flight from St. Louis, Missouri, to Salt Lake City, Utah. Weather delayed the flight for two hours.

• The NAACP executive director, Benjamin F. Davis Jr., refusing to yield to mounting demands that he resign, said it was within his authority to pledge association funds to pay as much as \$332,000 to settle a threatened sex discrimination suit brought by a disgruntled former employee.

(NYT, Reuters, AP, LAT)

### DEATH NOTICE

#### Schiffman - DANIEL S.

Died peacefully at home after long illness. Formerly Executive of General Motors Overseas Corporation. Survived by wife Judith and her family, and sister Esther and her family.

## Ex-Aide Feels Heat at Whitewater Session

By Susan Schmidt  
and Sharon LaFraniere  
Washington Post Service

WASHINGTON — "You crossed the line," an impassioned Senator Donald W. Riegle Jr. told the former White House counsel, Bernard W. Nussbaum, by putting pressure on Deputy Treasury Secretary Roger C. Altman to keep his decision-making power over an investigation that involved President Bill Clinton.

"I think you had no right to inject yourself in Roger Altman's consideration of whether he should recuse himself," shouted Mr. Riegle, Democrat of Michigan, who heads the Senate Banking, Housing and Urban Affairs Committee.

"This was one time when you should have bit your tongue if you had to bite it in half and not stick your nose in that decision."

Mr. Riegle said he had no doubt that Mr. Nussbaum's pressure tactics led Mr. Altman, a friend of Mr. Clinton's, to change his mind in February about whether to recuse himself from the highly sensitive case. At the time, Mr. Altman was acting head of Resolution Trust Corp., an independent agency created to clean up savings and loans institutions.

Mr. Riegle's outburst on Thursday night was a dramatic highlight of five days of marathon testimony before his committee. Both House and Senate banking committees are looking into how White House and Treasury officials responded to

the Resolution Trust Corp.'s investigation of Madison Guaranty Savings & Loan, owned by the Clintons' business partner in the Whitewater real estate venture.

Mr. Nussbaum, who resigned from the White House last spring, defended himself by saying that Mr. Altman only considered recusing himself from the Madison case because "he didn't want to take the heat." For him to recuse himself, Mr. Nussbaum said, "was totally unprincipled."

Mr. Nussbaum appeared jovial at the start of the verbal assault but grew increasingly grim as senator after senator attacked him.

"Instead of being a strong man like you are," Mr. Altman "backed down," Senator Richard C. Shelby, Democrat of Alabama, told Mr. Nussbaum. "I think he was afraid. I think you helped him make the wrong decision."

### Lawyer Unaware of Tape

A federal regulator accused of seeking to conceal an embarrassing finding in a Whitewater-related investigation testified Friday that he did not know her statements to an investigator were being tape-recorded. The Associated Press reported.

Republicans have accused April Breslaw, a Resolution Trust Corp. lawyer, of telling a criminal investigator that her bosses would like to conclude that the Clintons' Whitewater land venture had not caused a



Bernard W. Nussbaum during Senate testimony on Friday.

loss to a failed Arkansas savings and loan.

The RTC investigator, L. Jean Lewis, had already concluded otherwise in criminal referrals that had been forwarded to the Justice Department for possible prosecution.

Acknowledging that her conversation with Mr. Lewis on Feb. 2 was tape-recorded, Ms. Breslaw told the House Banking Committee Friday that her statements came in a "cursory and unimportant chat" that she only vaguely recollected.

## A Jittery House Delays Health Vote

By Adam Clymer  
New York Times Service

WASHINGTON — House leaders have put off a vote on national health insurance until Aug. 19, a delay that is likely to give nervous representatives time to see how the Senate votes before they have to stick out their own necks on the politically dangerous issue of requiring employers to insure their workers.

Democratic leaders in both the House and Senate insisted Thursday that they were not basing decisions on what was going on in the other chamber. The reason given for the one-week House postponement was the time it was taking legislative draftsmen and the Congressional Budget Office to process various alternatives.

But Democratic lieutenants made it clear that the delay would bring sighs of relief in the House.

Many Democratic representatives are hoping the Senate preserves the concept of employer payments, even as a last resort, before they vote on a bill with stiffer requirements. The payments would begin in 1997 under the House bill. The Senate measure would not require them after 2002, if at all.

If the Senate can protect its employer-financing provision against Republican efforts to kill it, said Representative Benjamin L. Cardin, a Maryland Democrat and an important

vote-counter, "that would certainly offer momentum to our side."

Lawmakers in both chambers are especially touchy about employer financing because whichever way they vote they risk alienating small businesses, which oppose the concept, or the public, especially union members, which favors the concept.

In the Senate, while no one was about to claim victory on the issue, supporters of the Senate bill, put together by the majority leader, George J. Mitchell, Democrat of Maine, were increasingly confident that the Democrats could prevail on that pivotal question.

### House Delays Crime Bill

Kenneth J. Cooper of The Washington Post reported from Washington:

The House has put off final action on a \$30 billion crime bill until next week, primarily because conservative Democrats have united against an assault weapons ban contained in the omnibus legislation.

Conservative Democrats, backed by intense National Rifle Association lobbying, have remained opposed to a procedural resolution that would allow a final House vote on the crime bill. About 30 conservatives who met Thursday stuck to their position that the ban on some military-style weapons be voted upon separately.

## California Investigating Detectives for Simpson

Los Angeles

LOS ANGELES — Private detectives hired by O.J. Simpson's defense team are under investigation by a California state agency because they are not licensed to operate in the state and may be breaking the law, an official said.

The California Department of Consumer Affairs is conducting its inquiry into three investigators who were hired from out of state to help Mr. Simpson, said Louis Bonisignor, an agency spokesman.

Mr. Simpson has pleaded not guilty to murdering his ex-wife, Nicole Brown Simpson, 33, and her friend Ronald L. Goldman, 25, who were stabbed and slashed to death outside Mr. Simpson's Brentwood townhouse the night of June 12. Mr. Simpson, 47, is scheduled to stand trial Sept. 19.

The three detectives are also the subject of a complaint by

the Los Angeles County Criminal Investigator's Association, which has issued a cease-and-desist order against them.

"These three gentlemen are not licensed to operate in the state of California," Mr. Bonisignor said in a telephone interview from Sacramento, the state capital. "That is a matter of public knowledge."

He said the investigation into their activities in Los Angeles was being conducted by the Consumer Affairs Department's Corrections and Investigative Services branch.

### Yeltsin to Visit Ukraine

The Associated Press

KIEV — President Boris N. Yeltsin of Russia will travel to Ukraine on Aug. 29 to meet with the country's new president, Leonid S. Kuchma, and sign a trade and economic accord, officials said Friday.

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Herald Tribune

### U.S. Discloses Gas Tests

The Associated Press

PADUCAH, Kentucky — Workers at a uranium plant in Kentucky intentionally released radioactive gas into the air in 1955 and 1974 to see how the wind would carry it, the Department of Energy said. The plant's contractor, Martin Marietta Energy Systems, said the amount of radioactive material was insignificant.



# Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

## A Korean Deadline Nears

The United States resumed high-level talks with North Korea in Geneva on Friday with some hope that the new Korean leadership will stay on a constructive negotiating path. But a deadline looms that could throw the talks off track. The hope stems from the North's readiness to resume talks so soon after the death of Kim Il Sung, the only leader it had ever known, and from an editorial in the government-run newspaper that is unusually conciliatory by Pyongyang standards.

The deadline is imposed by corrosion of the spent nuclear fuel rods recently removed from North Korea's reactor at Yongbyon. That could eventually expose workers and international inspectors to radiation or flash fire.

Unless this danger can be alleviated promptly, the North Koreans are threatening to start reprocessing the spent fuel next month, thereby generating plutonium that can be used to make bombs.

Fortunately, there are ways to solve the corrosion problem, or at least delay its onset. But they require North Korean cooperation, which is likely only as part of a broader deal with the United States.

The United States would like to relocate the rods to a third country for reprocessing, thereby denying their bomb-making potential to the North. But as its price for giving up the material, North Korea is likely to insist on diplomatic recognition and security assurances. It is also intent on eventually receiving a new light-water nuclear reactor and help with its electricity needs in the meantime.

There are ways to retard the corrosion while such a deal is being negotiated. The cooling ponds can be chilled, replenished with pure water and have their acidity reduced. Alternatively, at much greater effort and expense, the rods can be removed from the ponds and stored in dry canisters, where they corrode more slowly.

As part of an ultimate solution, replacement of the North's existing reactors is worth pursuing. The United States is considering arrangements for Russia or South Korea to provide a light-water reactor, financed in part by Japan. Such a reactor is somewhat less vulnerable to misuse than the graphite reactor North Korea now has. It is marginally more difficult to divert nuclear fuel from it, and the North would have to rely on others to supply fuel, making the North more susceptible to outside influence.

What happens in the six years or more that it takes to build a new reactor is critical. These intervening years would provide a true test of North Korea's willingness to give inspectors unimpeded access to its nuclear sites.

The North would also have no need for reprocessing facilities, which could be dismantled. Nor would the North need to complete its new graphite reactor, a threat because it would generate plutonium once it is up and running. But while it is pursuing these technical solutions, Washington must not slight the diplomatic and political arrangements to make them workable.

—THE NEW YORK TIMES

## Arafat's Discouraging Move

Yasser Arafat likes to tell interviewers that the Palestinian state he envisions will not resemble the stifling autocracies so common in the Arab world. And Palestinians who have seen close up the freedoms enjoyed by Israelis would like to hold him to that vision. But the early evidence from the self-rule areas of Gaza and Jericho is discouraging.

On July 25, reportedly on Mr. Arafat's personal orders, officials of his Palestine Liberation Organization shut down An-Nahar, one of the two main newspapers in the occupied territories. It was a blatant case of political suppression. An-Nahar is pro-Jordanian. Al-Quds, its surviving rival, generally supports the PLO. An-Nahar was charged only with failure to renew its circulation license. But other publications, including Al-Quds, say no such licensing system exists. An-Nahar's real offense was its pro-Jordan editorial stance—or, as the PLO put it, having "a line that contradicts the national interests of the Palestinian people."

In one case of conflict, Jordan and the

PLO have competing claims on Jerusalem's Muslim religious sites. Last week, Israel intensified their conflict by promising to give "high priority" to the Jordanian monarchy's historical role as custodian of these sites.

But anger over these developments cannot justify the suppression of An-Nahar. Hanan Ashrawi, the former Palestinian negotiator, rightly calls the closure "a clear violation of freedom of the press and freedom of speech."

Mr. Arafat's peace with Israel does not depend on his tolerance for democracy. Nor does the closing of An-Nahar foreclose the possibility of political pluralism under PLO rule. Elections in the occupied territories scheduled for this year will be another important test.

Other Arab states shut down newspapers regularly, and Israeli occupation authorities did too. But Mr. Arafat said a PLO government would be different. Perhaps when he calms down he will change his mind about An-Nahar.

—THE NEW YORK TIMES

## Keeping Air Costs High

Subsidies always make competition less fair, and they often make it impossible. The huge amounts of money that several European governments are pumping into their airlines in a frantic effort to keep them alive constitute grossly unfair competition with all the airlines the Americans and some of the other Europeans—that get no government support. Europe is supposed to be moving toward full deregulation of airlines over the next three years. But that cannot happen until European governments—above all, that of France—bring themselves to abandon the idea that there can be no failures, no consolidations and not even any layoffs in the airline industry.

The European Union reluctantly approved last week a \$3.5 billion subsidy to the French government to Air France. Since these things are contagious, at the same time it similarly approved a \$2.3 billion bailout by the Greek government of Olympic Airways. Earlier in July, TAP Air Portugal got approval of more than \$1 billion in government aid.

Airline deregulation is proving to be excruciating in some European countries. It is not only that most have their own national flag carriers and are desperate, for reasons of prestige and sentiment, to keep them aloft. It is also that some

Europeans, notably the French, do not accept the idea that competition ought to be allowed to cause layoffs.

Air France is notorious for its low operating efficiency and its huge losses. The government had appointed a chief executive with a mandate to get its finances under control. Last fall he brought out a plan that called for wage cuts and, inevitably, the elimination of several thousand jobs. The immediate response was a series of strikes that paralyzed French airports. The government quickly buckled, accepting the new chairman's resignation and, in the interest of social peace, utterly abandoning his plan. That is why this summer's enormous subsidies have become necessary.

The chairman of British Airways, which gets no subsidies, called this rescue of his competitors a grave setback to the development of a free market in air transportation. The U.S. secretary of transportation, Federico Peña, made the same point. The French apparently would prefer a return to the cartel that used to govern the international airline industry in stately (and expensive) serenity. But that would reimpose a burden that most governments and nearly all air travelers long ago found to be intolerable.

—THE WASHINGTON POST

## Other Comment

### Courage in Warsaw

On Monday, President Roman Herzog of Germany accomplished a transaction between two countries that can be difficult even between two estranged friends. In Poland on the 50th anniversary of the Warsaw Uprising, Mr. Herzog said: "Today, I bow down before the fighters of the Warsaw Uprising as before all Polish victims of the war. I ask for forgiveness for what has been done to you by Germans." Mr. Herzog did not go as far as politically possible.

He went as far as humanly necessary. President Lech Walesa was wise not to defer to the feelings of those who thought no German should be in attendance on this occasion. "We do not give absolution to the murderers in Warsaw," Mr. Walesa said, "but we do not pass those feelings upon the German nation." If Mr. Walesa had fallen short of his own difficult standard, if he had not invited Mr. Herzog, this anniversary could have been just one in an endless parade. Courage made it historic.

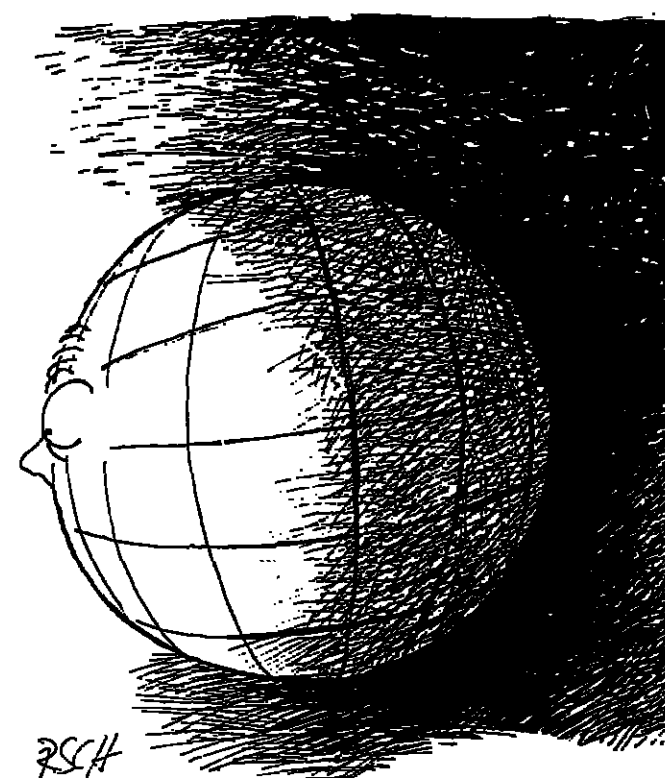
—Los Angeles Times

## Do We Really Need to Start Bracing?

By William Pfaff

and our planet quite small. Thinking ahead, as I am sure Mr. Brown is doing, I would imagine that as the purpose of finding the killer comet is to deflect it away from us, another

beings from space who might be morally confused mortals like ourselves. Programs for monitoring space to hear alien radio transmissions seem to assume that beings on other planets will have a message for us. It is hard not to see in this the secularized scientist's search for angels.



program will be needed to develop a suitable rocket and atomic munition for displacing killer comets from their course. I am confident that nothing in the present American arsenal would be found suitable.

Space is glamorous and possesses the mystery of infinity—literal infinity, that which lies beyond the observable galaxies: offering divine mystery. I have always been struck by the interest scientists take in the possibilities of life elsewhere in the universe. They do not seem to approach this in the detached way that they might explore the rain forest for unknown animal species.

The search for intelligence in space has nearly always an emotional charge, expectation either of redemption or of submission. The world faces either alien attack—the theme of H. G. Wells, his imitators and hundreds of fictional and film fantasies—or redemption through benevolent alien intervention in earthly affairs. We are expected to meet superior beings who can show us the way to peace, a new and more enlightened way to live.

We seem unprepared to meet

The discussion of infinity inevitably introduces theological questions. Why does the nation with the highest levels of religious belief and church-going in the Western world so fear the world's end as to finance a NASA program whose aim is to prevent that from occurring? If God in his inscrutable wisdom—or even an inscrutable indifference, as some would argue—has launched a comet to destroy us, why is Congress to make its puny effort to thwart Him? Is this not presumption?

I realize that there is no difference in principle between using an atomic explosion to deflect an earth-bound rocket and using an antibiotic to save an individual life. But I am less interested in the theology of the matter than the proportionality. At some point the world will come to an end. The sun will be extinguished. In the knowledge of this, I would think congressional as well as individual attention is better devoted to how we live now than to preventing the eventually inevitable.

International Herald Tribune.  
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## Clinton Did the Deed and So America Subsidizes China's Army

By A. M. Rosenthal

NEW YORK — Two months ago, President Bill Clinton wiped out Asian human rights as a political, economic or diplomatic concern of his administration's foreign policy. He did this with the help and guidance of the American China lobby, which pays for its business profits in China by supporting the interests of the government in Beijing.

But only the president could actually do the deed and only in one way—by tearing up promises he had made before and after the presidential campaign, including his own executive order. That was the one all about how the mini-

mum trade tariffs China enjoys would be raised unless Beijing allowed Chinese and Tibetan citizens some relief from forced labor, political arrest, prison torture and religious persecution.

China, sensing the sponginess of the president's commitment to human rights before many of us who voted for him, did not give him an inch. So he caved.

Why he did I do not know or perhaps am not ready to believe. Mr. Clinton learned long ago how important the money and support of major corporations are at elec-

tion time. American politicians learn this. But not all go along, not on an issue of honor and heart.

At least 100 members of the House of Representatives have stated their readiness to resist the pressure of the China lobby, the president and Beijing. Next week they will vote for legislation to raise the low tariffs subsidizing the exports of the Chinese Army to the United States—yes, the Chinese Army.

How many more will join them depends in good part on how many Americans really care.

Once the tariff pressure was off, the Chinese repaid Mr. Clinton as he and the lobby could have foretold—if they had cared. The noose has tightened on all dissent activity, reports Human Rights Watch/Asia. And the political branch of the conference of American Catholic bishops says that religious persecution is increasing and so is forced abortion.

China is cashing in big. This year it will sell Americans \$30 billion more than it buys from them. Meanwhile Beijing, according to the CIA, is the chief nuclear supplier to Iran and the major missile salesman to Syria and Iran; it still tests nuclear weapons and is the only major nuclear power to increase its military budget.

Here is the evil comedy: The U.S. consumer is supporting the growth of the Chinese "People's Army," which is both the major instrument of Chinese power abroad and the major weapon of repression at home.

Are we all total fools with no commitment to human rights or even our own interests? No, not all of us—not the bishops, not the AFL-CIO, not the human rights groups, and not those members of Congress getting ready for next week's fight.

One of them, Gerald Solomon, Republican of New York, has introduced one-paragraph legislation: Reject the president's decision, raise the tariffs. It won't win but, oh, what a pleasure it would be to vote for him in November.

The other representatives have put together compromise legislation that targets principally those products manufactured by the network of thousands of plants owned by the Chinese Army.

The administration is now so trapped by China that, along with the China lobby, it is fighting any human rights move against the forced-labor economic power of the Chinese military or its subsidization by U.S. law tariffs.

The Chinese Army's products range from guns exported by the thousands to America to machinery, furniture and clothing—often produced by workers paid in prison gruel. That wipes out American competition and makes for huge profits that go to leading Communist Party families, the party itself and the army.

All around Asia other countries with a taste for repression are delighted with the signal from Washington—forget that human rights stuff; when it comes to trade, America does not care.

American voters have a choice. They can phone or fax their minds to their representatives about subsidizing the Chinese Army. Or they can go on making Chinese generals merrier, more stuffed with American billions and more powerful militarily. Either way, one day the news of the American choice will get to the Chinese and Tibetans in their subsidized torture cells and labor camps.

The New York Times

## IN OUR PAGES: 100, 75 AND 50 YEARS AGO

### 1894: Resentful Clergy

PARIS — That conflicts on religious questions are always the most difficult of settlement is once again proved in the case of Hungary. It will be remembered that a desperate resistance was made by the bishops to the new law authorizing civil marriage. But the lower clergy, who had been excited and who do not understand much about Parliamentary finesse, have not calmed down and have turned up in anger upon the bishops and the nobles. Indeed, the agitation has assumed such proportions that the intervention of the Pope appears to be not only desirable but even inevitable.

### 1919: Low Skirts Prevail

NEW YORK — The first American fashion show of the season was given here last night [Aug. 5] under the auspices of the Na-

tional Garment Retailers' Association. It was manifest that American designers are not in favor of knee-length skirts. All the models shown being about eight inches above the floor.

### 1944: No-Man's Florence

ROME — [From our New York edition:] The greater part of medieval Florence, the city of the Medicis, is a no-man's-land today [Aug. 5], with German guns entrenched in the hills two miles north of the city and 8th Army troops encamped in its southern outskirts. Five of Florence's six old bridges were blown up by the retreating Germans. Fortunately they spared the loveliest of all, the Ponte Vecchio. It may never be known whether the Ponte Vecchio was spared out of respect for its artistic value or because it is too narrow to permit the passage of large vehicles.

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## Haiti Thumbs Its Nose at U.S.

### Generals Respond to Threats With Resolve

By William Booth

Washington Post Service

PORT-AU-PRINCE, Haiti. — Far from bowing to U.S. invasion threats, Haiti's defiant military rulers and the government they installed have dug in and are taunting Washington with measures designed to show long-term resolve.

In the last week, Haiti's de facto government has called for elections in November, declared a state of siege, including a transfer of all civilian powers to military control, and initiated charges of treason against the Reverend Jean-Bertrand Aristide, the exiled president, whom the United States has pledged to return to power.

They have also threatened Haitians assisting "interventionists" — the label for anyone who endorses a foreign invasion — and staged large demonstrations outside the U.S. Embassy.

On Thursday, the government deported an American television news crew, saying the journalists had photographed "sensitive installations" at Haiti's international airport.

At least some of the military's defiance is designed to assure its troops and backers that the generals remain in control and are not about to fly off into exile. While U.S. officials characterize the moves as bravado, Haiti analysts and diplomats say the military intends to outlast both sanctions and international isolation.

Some anti-Aristide politicians also are pushing a plan that would have Lieutenant General Raoul Cédras, Haiti's military leader, resign in October and be replaced by the army's deputy chief, Brigadier General Jean-Claude Duperval. Haiti's two other military leaders, Port-au-Prince's police chief, Lieutenant Colonel Michel François, and the

army chief of staff, Brigadier General Philippe Biamby, would be reassigned.

But there is no indication General Cédras has agreed to such a plan, while U.S. officials have stressed that there will be no lifting of sanctions without Father Aristide's return.

Far from the popular image of thuggish clowns, Haiti's military leaders have been masters of delay, continuing to defy international condemnation and draconian sanctions that have devastated the economy and forced the poor to buy rice and beans by the cup, at prices three and four times the usual.

Now the military and its allies are using television and radio to stir nationalist feelings against foreign intervention. On television, the government airs hours of footage of the U.S. invasion of Panama.

The de facto government and its supporters say they are simply responding to the threat of invasion. Moreover, they have been emboldened by mixed signals from Washington. "They're convinced, they're really convinced, that the international community is bluffing," said a Haitian political consultant with ties to the democracy movement. "The U.S. has no credibility — not with the elite, not with the military, not with the democratic camps, nobody."

#### Senate Supports Clinton

The Senate turned down a plan Friday to prohibit President Bill Clinton from launching an invasion of Haiti without congressional approval. The Associated Press reported from Washington.

In a 63-to-31 vote, the Senate rejected an amendment by Senator Arlen Specter, Republican of Pennsylvania, to that effect. Some who oppose an invasion objected to the Specter proposal on constitutional grounds, saying it would improperly tie the president's hands.

## Mid-September or Later for Invasion

By Ann Devroy and Daniel Williams

Washington Post Service

WASHINGTON — President Bill Clinton's top advisers have concluded that they need until at least mid-September to launch an invasion of Haiti under "optimal" conditions, senior officials said.

That conclusion, reached after a series of meetings on Haiti this week, was based on what officials said was the time needed to enlist and train the international component of an invasion force headed by the United States. No country has stepped forward to join such a force, however. Argentina, the only country to have made a public commitment to join, withdrew it Thursday.

Officials said they also wanted to seal Haiti's porous border with the Dominican Republic, long a major hole in the economic blockade of Haiti.

One official said that it would be "a matter of some weeks" before the United States was prepared to invade. But others noted that if American lives were threatened or Haiti exploded in violence, military action could be undertaken right away.

Another official said that Mr. Clinton, who was involved in some but not all the meetings,

had "a great number of individual decisions to make," including a determination that economic sanctions would produce no further progress and that invasion was the only way to achieve his goal of ousting Haiti's military rulers.

Timing decisions include whether to issue a public deadline for their departure from the country, whether to send a high-profile envoy to Haiti to deliver an ultimatum to the military, and whether to enlist support in Congress for an invasion.

The delay in reaching decisions has costs not only for Haiti, suffering under sanctions and a repressive regime, but also for Washington, as it tries to synchronize policy with that of other countries.

As Washington has tried to collect invasion partners, Venezuela and other governments that oppose an invasion have prepared a separate, diplomatic approach to Haiti. The Venezuelans have proposed sending a delegation of foreign ministers to Haiti to offer a secure and comfortable exile to the military leaders, and amnesty for their subordinates left behind.

If Lieutenant General Raoul Cédras and other Haitian military leaders refuse to leave, the ministers would then warn of invasion.

## CLINTON: Democrats Advised to Keep Distant in Fall

Continued from Page 1

midterm election was in 1934, during the first term of President Franklin D. Roosevelt.

"The mood of the election up to this point has energized Republicans and somewhat demoralized Democrats," said Mr. Greenberg, who did not make specific predictions about possible losses.

He added, "Obviously, the White House must do more to mobilize Democrats in support of candidates this year."

The notion that incumbents should separate themselves from a president of their own party is nothing new. Some Republican officials gave such advice in 1990, after President

George Bush agreed to a deal to raise taxes.

And in June, Donald Switzer, political director for the Democratic Party, said in an interview with The Washington Times: "There are clearly some areas of the country where it is not going to benefit a candidate to associate himself with Bill Clinton."

Mr. Switzer was immediately rebuffed by Mr. Wilhelm for his comments. But Mr. Greenberg offered much the same message, though his memorandum was less explicit.

Mr. Greenberg also asserted, however, that Republicans would be wrong to try to turn the elections into a referendum on the president because people

still want him to get things done.

"If the Republicans choose to make this election about stopping Clinton," he said, "they are missing the mood of the electorate in these swing districts, where voters still want to see Clinton succeed."

Incumbents, Mr. Greenberg said, should discuss their legislative battles and emphasize that they were in them not for Clinton but "for the people at home."

The memorandum is striking in its acknowledgment that Mr. Clinton's top legislative initiative — health care — has not struck a chord with voters.

Mr. Greenberg did not return a reporter's calls about his memo.

## JOB: Strong Growth Puts Wall Street on Defensive

Continued from Page 1

in its big auctions of securities later next week by reassuring investors that the American central bank was on guard against inflation.

"It would be the responsible thing to do, to move and move promptly."

Yet in separate interviews this week, five top Federal Reserve officials expressed an uncertainty about the economy's direction that Friday's figures only partly address. Their uncertainty suggests that the Federal Reserve will wait at least until Aug. 16 before raising rates again.

The central bankers have three basic questions as they try to analyze the confusing economic data this summer: Is economic output growing, do people have the money to buy that output, and will people actually spend the money if they have it?

The first question was answered on July 29, when the Commerce Department announced that the country's economic output grew at an above-average annual rate of 3.7 percent. But more than half the extra output went into business inventories as consumer spending slowed sharply.

So central bank officials have been waiting for evidence of whether American consumers have the money to buy these goods and whether they will actually buy them. Friday's figures on jobs and wages suggest that more Americans are earning more money. But they do not show whether Americans will spend the extra money or save it.

The Commerce Department is scheduled on Thursday to release its figures on retail sales during July, which Fed officials eagerly await as an indication of spending in the economy.

## FRANCE: After Killings, 16 Algerians Are Arrested

Continued from Page 1

much less on odious murders," he said. "One does not serve religion by mixing it with terrorism. One cannot build the future by rejecting the outside world."

The French leader delivered a eulogy before the five flag-draped coffins.

Mr. Pasqua accused France's Western partners of naïveté in believing that a "peaceful dialogue" could be established with some Islamic militants.

He said the notion that "moderate" Islamic Front members could enter the Algerian government was an illusion, and he added that the West had to either back a gov-

ernment that might fall short of democratic values or allow Islamic extremists to seize power.

France has asked Germany to muzzle Rabbat Kebir, the president of the Islamic Front's leadership in exile, who Paris claims has been allowed to engage in political actions even though he is supposed to be under a ban in Euskirchen, near Cologne.

Mr. Kebir refused to condemn the latest attack on French nationals and instead blamed the worsening climate of violence on France's continuing support for the army-backed government of President Lamine Zeroual, a former general.

## U.S.-North Korea Talks Resume but Go Nowhere

By Alan Riding

New York Times Service

PARIS — The United States and North Korea met in Geneva on Friday to resume the high-level negotiations that were interrupted by the death of President Kim Il Sung last month, but no breakthrough was reported on the central issue of American concerns about North Korea's nuclear ambitions.

After eight hours of talks, Robert L. Gallucci, the chief American negotiator, said there was common ground in some areas, such as the need to improve bilateral relations, to reduce tensions on the Korean Peninsula, to bolster security in the region and to respect the Nonproliferation Treaty.

"Those are the areas of agreement," he said at a news briefing outside the U.S. mission to the United Nations. "To say the devil is in the details, however, is something of an understatement, and there are certainly areas of disagreement as well."

Kang Sok Ju, the deputy foreign minister leading the North Korean team, described the talks as "businesslike and useful," but he also noted that there were

"great complications" on many issues. And he added, "Neither side came to any agreements on the subjects under discussion."

The two sides had originally planned to meet again Saturday in the North Korean Mission to the United Nations, but they decided instead to adjourn until Monday to allow time for delegates to consult their governments.

Mr. Gallucci, who held just one day of talks in Geneva with Mr. Kang on July 8 before the session was suspended by President Kim's death, said it was too early to gauge whether North Korea's position had changed. "At the moment, I cannot characterize the discussions as different," he said.

Like Mr. Kang, Mr. Gallucci was reluctant to go into details about the talks on Friday, but he confirmed that they had involved North Korea's request for a light-water nuclear reactor to replace the graphite reactors that the United States believes are being used to produce weapons-grade plutonium.

He said they had also discussed the 8,000 spent fuel rods extracted this spring from a nuclear reactor at

Yongbyon, 60 miles (100 kilometers) north of Pyongyang and now kept in a cooling pond. North Korea has said the rods are deteriorating quickly and need to be reprocessed into plutonium, a solution the United States strongly opposes.

Mr. Gallucci said the problem of what to do with the rods had to be addressed as soon as possible. "That issue we discussed," he said. "I cannot tell you that it was resolved." Experts say the rods would yield enough plutonium to make four or five nuclear bombs.

Asked about a statement from Pyongyang on Friday that North Korea considered special inspections by international experts of its military sites to be "unreasonable," the American delegate reiterated that a settlement of the dispute would have to include close monitoring of North Korea's nuclear facilities.

Mr. Gallucci said that both sides should have a better notion of prospects for an agreement when they met again Monday. He said that by then, they should also know how long the talks would continue. North Korea has agreed to freeze its nuclear program while the negotiations are taking place.

## UN Wavers On Serbia Sanctions

By Richard D. Lyons

New York Times Service

UNITED NATIONS, New York. — The Security Council would crack down on Serbia with harsher sanctions involving financial assets, weapons, fuel and possibly food, or it would ease the present sanctions, depending on the wording of two draft resolutions at the United Nations.

These carrot-and-stick proposals would be to punish Serbia if it fails to persuade the Bosnian Serbs to accept the latest international peace plan for Bosnia, or to reward the Serbs if their diplomatic efforts are successful.

One of the two versions, which UN officials said were drafted by representatives of the United States, Britain, France, Germany and Russia, would reintroduce sanctions that were imposed on Serbia and Montenegro in 1992, but which have been increasingly violated.

Provisions under consideration for the new sanction package are a virtual blockade on traffic headed to Serbia on the Danube River, a major route for oil imports. Also under consideration are a freeze on a wide range of Serbian financial assets, and even a limit on the amount of fuel in the tanks of trucks entering Serbia.

Demands for even stricter sanctions against Serbia may be undercut by Belgrade's announcement Thursday that it was withdrawing economic and political support for the Bosnian Serbs.

But the harsher version could be introduced if the Security Council doubts the sincerity of Belgrade's announcement.

One diplomat here said that many of his colleagues remained unconvinced of the sincerity of the announcement from Belgrade and that the formal introduction of the harsher resolution might be the better choice because it would pressure Serbia to make good on its announced intentions.

But the Russian representative, Yuli Mr. Vorontsov, said after the announcement from Belgrade that he felt the new Serbian position might be a "turning point" in efforts to bring peace to Bosnia.

The Security Council also will seek to sort out its options on the UN peace force in Bosnia, probably early next week.

## New Lowdown On Mt. Everest: It's Shrinking

Agence France-Press

HONG KONG — Mount Everest, the world's tallest mountain, is shrinking, according to recent measurements taken by the Chinese State Bureau of Surveying and Mapping, the press agency Xinhua reported.

The most recent measurement of the mountain, taken in 1992, showed Everest to be 8,842.7 meters tall (28,942 feet), indicating that the peak was 1.86 meters shorter than the height recorded 17 years before.

The latest figure was the result of more than one year of calculations, following Chinese scientists' completion of fieldwork near the summit with the help of Italian mountaineers.

## China Rebuffs Taiwan on Murders

The Associated Press

TAIPEI — China rejected Taiwan's demand Friday that it reopen an investigation of the robbery and murder of 24 Taiwanese tourists on a Chinese pleasure boat, and it accused Taiwan of opening fire on Chinese fishing craft in the Taiwan Straits.

The exchange of recriminations came on the third day of a visit to Taiwan by Tang Shuei, the highest ranking mainland Chinese official to come to the island since the end of the civil



Israelis putting up a sign of changing times Friday at Eilat border post with Jordan.

## Rabin to Visit Jordan for Talks With Hussein

Agence France-Press

AMMAN, Jordan. — Prime Minister Yitzhak Rabin of Israel is to travel to Jordan on Monday, for the first time, to meet King Hussein, Information Minister Jawad Anani announced Friday.

He said Mr. Rabin would cross to the Red Sea resort of Aqaba after a ceremony to mark the opening of a new border crossing between the two countries to be attended by the U.S. secretary of state, Warren M. Christopher.

Crown Prince Hassan is to represent the king at the crossing. Later, King Hussein is to host a lunch, to be followed by talks.

Mr. Christopher, starting a new Middle East peace mission on Saturday, will travel by car from Jordan into Israel, inaugurating the new crossing between Aqaba and Eilat.

On the Israeli side near Eilat, bomb disposal experts cleared a minefield to make way for the border crossing, to be used at first mainly by travelers who are not Israeli or Jordanian.

## SERBS: NATO Jets Pound Bosnian Serbs for Seizing Weapons From UN

Continued from Page 1

backdrops Bosnia has seen since the war began. The rejection last week by the Bosnian Serbs of the plan to divide Bosnia between Serbs and a federation of Muslims and Croats has placed them on a collision course with the five powers, including the United States and Russia, that drew it up.

Under the plan, Serbian holdings in Bosnia would drop from 72 percent of the country to 49 percent; Muslims and Croats, who have accepted the deal, would share the rest. Already, the UN Security Council is considering ways to tighten economic sanctions against Yugoslavia, the main patron of the Bosnian Serbs.

But by snubbing the plan, the Bosnian Serbs also appear to have antagonized Yugoslavia and their erstwhile mentor, President Slobodan Milosevic, the architect of

the third Balkan war this century. On Thursday, Yugoslavia announced that it was shutting its border with the breakaway Bosnian Serbian republic, implying that it would deny them further military aid, because their brother Serbs had renounced the plan and called a referendum on the issue instead.

According to UN officials, the showdown began shortly before 4 A.M. when Serbian soldiers crept into a UN weapons collection point in the Serbian-held suburb of Ilidza and roared out with four heavy weapons, a T-55 tank, two armored personnel carriers mounted with guns and a tracked 30mm anti-aircraft artillery system. Ukrainian soldiers were manning the site, an abandoned electronics factory, and General Rose said one was injured attempting to stymie the predawn raid.

The collection points were set up in

February as part of the NATO plan to bring peace to Sarajevo. The plan came in response to the Feb. 5 killing of 68 people in a mortar attack on Sarajevo's open-air market.

The Serbian raid was just the latest in a string of incidents designed to erode the integrity of the zone, General Rose said.

Finally, earlier this week, the Bosnian Serbian Army sent the UN command in Bosnia a letter demanding that it hand over the 281 heavy weapons kept in nine collection points around the city. The reason, according to a Bosnian Serb, General Stanislav Galic, was to give the better armed Serbs the firepower to counter a Bosnian Muslim offensive north of Sarajevo.

General Rose rejected the claim. "We don't regard the weapons collections points as some kind of supermarket," he said.

## U.S. Picks Up 120 Cuban Defectors

The Associated Press

MIAMI — About 120 Cuban defectors were picked up by the U.S. Coast Guard after their boat ran out of fuel while trying to outrun Cuban government vessels.

Another 73 Cubans aboard the ferry chose to return to Cuba on Thursday when the boat was found adrift 30 miles

northeast of Havana. They were taken aboard two Cuban government vessels, the U.S. Coast Guard said.

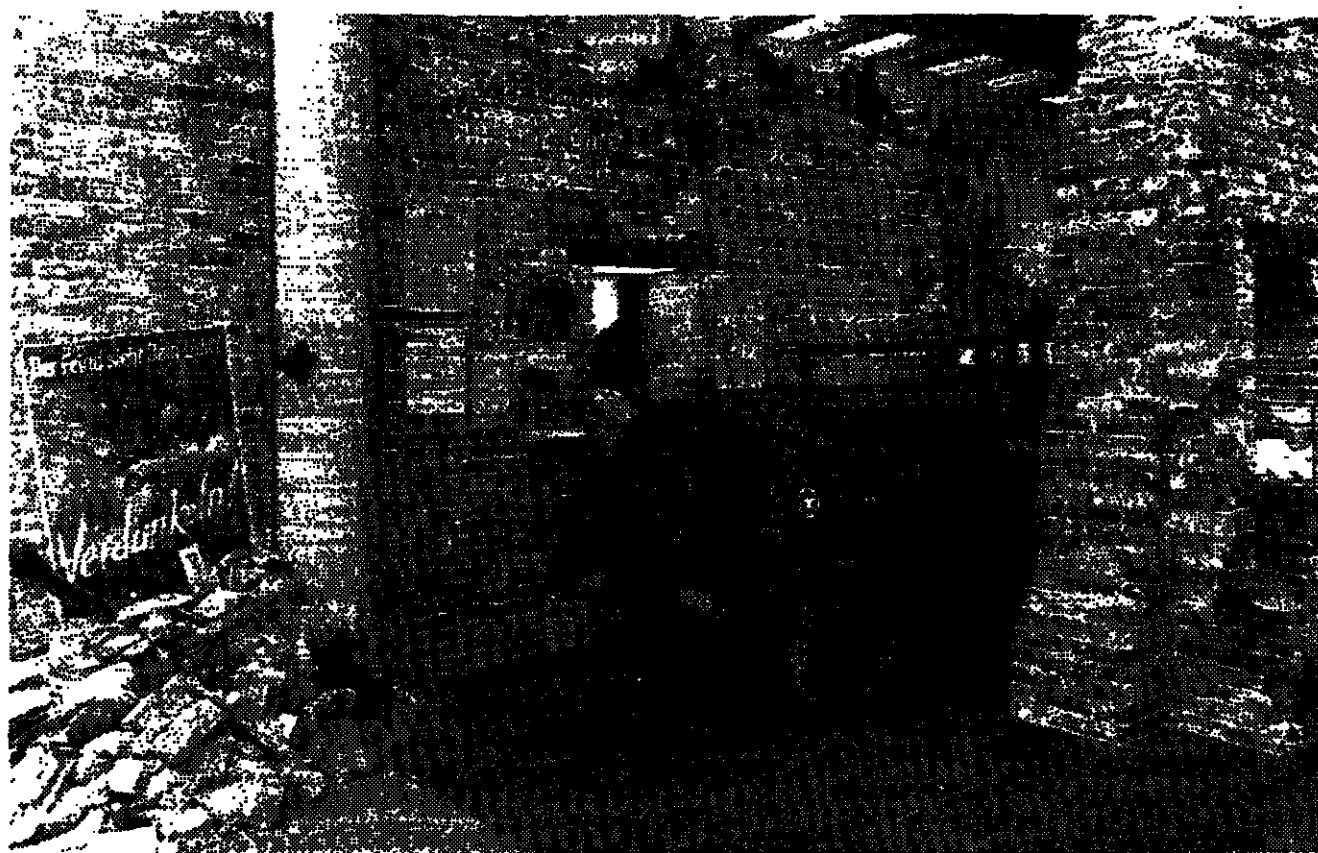
The Coast Guard turned the 117 Cubans it picked up over to immigration authorities after docking in Key West, Florida, a Coast Guard spokesman said. The refugees are routinely paroled into the community. The Cubans had fled Wednesday aboard a 50-foot ferryboat that normally runs in Havana harbor.

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## ART

Saturday-Sunday,  
August 6-7, 1994  
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An American Jeep amid wartime setting on display at the Museum of History of the Federal Republic in Bonn.

## Probing Modern Germany's Soul

By Michael Lawton

**B**ONN — What is a German? That is a question that has never ceased to fascinate the Germans since Germany was a mere conceptual identity scattered throughout a number of principalities and with a considerable diaspora in Eastern Europe. Now Chancellor Helmut Kohl has given his people a new answer with the Museum of the History of the Federal Republic of Germany.

Kohl proposed the idea in 1982 as a way to help young Germans appreciate the roots of the democratic Federal Republic. The museum uses modern techniques to make history come alive. You can sit on the original seats in a reconstructed Bundestag debating chamber with parquet floors laid by the son of the man who laid the original; or go into the public gallery where there are 1950s television cameras, look through them and see original debates.

There's a cinema, where you can watch old newsreels and sentimental films. There are historical relics: Konrad Adenauer's official Mercedes, the rustic wooden chairs and table at which Kohl and Mikhail S. Gorbachev, the former Soviet leader, sat in the Caucasus as they negotiated German unity, and a news agency camera whose lens was smashed by the Stasi at a Leipzig demonstration in 1989.

It's a museum for the senses. Twenty-seven hours of film and video material have been woven into the exhibition. Everywhere there are things to touch, drawers to pull out, headphones to put on. Many people will go just to see things they threw away when they went out of fashion, from

kitchen utensils and standard lamps to old newspapers. The user-friendly museum is reached directly from the subway station. There is also a café serving German regional cuisine and a computer linked to the national employment office to get job information.

Initial fears that the museum would be too deeply influenced by the views of its initiator, Helmut Kohl, who has a doctorate in history, have proved groundless. Instead, a variety of committees representing every establishment interest has ensured that the museum offends no one, to the extent that many of its explanatory texts are bland. Party politics take up rather too much space, although feminism, the movement against the Vietnam War and the Baader-Meinhof terrorists have their little corners.

**B**UT, as befits an establishment history, only those elements acknowledged by the establishment have a place. Where, for example, are the anarchist squatters and the punks begging at railroad stations?

The museum does not give a wholly rosy picture of German postwar history. The trials in the 1960s of the SS guards at Auschwitz and the riots in Rostock in the 1990s have their little corners. The German people are not always shown at their best. Beneath the historic photo of Willy Brandt kneeling at the Warsaw Ghetto monument in 1970 is the Spiegel opinion poll showing that a majority saw the gesture as exaggerated.

There is no denying the tough start that the new republic had. The exhibition starts in the rubble, with newsreels showing children trying to find their parents. A black-

painted room tells briefly and movingly of the horrors of Nazism. The rubble, the reconstruction and then the economic miracle are imaginatively and generously presented. But the nearer you come to the present, the cooler the exhibition becomes until with the final section, on Germany in Europe, the atmosphere and the blue-gray color scheme become positively icy. This is evident in the treatment of German unity.

Indeed, German unity has been a problem for the museum. When Kohl made his proposal in 1982, he mentioned "the divided nation," but that was before anyone expected reunification. Six weeks after the foundation stone was laid in 1989, the Berlin Wall fell. There were some who immediately called the whole project into question, but, as Kohl said at the museum's opening in June, the democratic origins of the Federal Republic are just as important to the future of a united Germany as they were for the West on its own.

The museum's makers said a new concept wasn't necessary, just a sharpening of details, since they had always intended to show life in the East. In the event, East Germany is largely found along the edge of the museum, behind steel mesh barriers, with exhibits designed to prove that West Germany was better all along.

East German historians, who were not invited to join the academic advisory board, have made a number of serious criticisms of factual inaccuracies, and have attacked the impression conveyed that a normal civilized life was scarcely possible in the East.

Michael Lawton is a free-lance writer based in Germany.

## German Pre-Impressionists

**L**ONDON — In a sequence of 90 pictures on view at the National Gallery until Sept. 4, the strange journey that took 19th-century painting in German countries to the threshold of modernity has been mapped out for the first time.

"Caspar David Friedrich to Ferdinand Hodler: A Romantic Tradition," as the show is called, is a somewhat misleading

SOURIN MELIKIAN

title. It hardly does justice to the enigma posed by the aesthetic split personality case that affected the major stars of German art. There was the public facade and then there were the revolutionary small sketches they somehow produced behind the scenes.

Friedrich, the best-known of all, carried it to extremes. Early on, he seemed destined to become one more among scores of highly skilled, if not particularly remarkable, painters in the 18th-century tradition. Born in Greifswald on the Baltic Sea, he was only 20 when he began his artistic training at the Copenhagen Academy in 1794. There, Friedrich acquired a very precise manner. This comes through even in the crayon portrait of his father which he drew in 1801, three years after he had settled in Dresden. It is superbly done and instantly forgettable.

Then came the influence of Romantic ideas, feverishly discussed in the circles in which he moved. Friedrich developed a theory on the "authority of emotion" and conceived landscapes fraught with weighty symbols. In a "Port by Moonlight," that was painted in 1811, sailing boats at anchor on a dark sea have masts and ropes outlining elongated triangular figures that resemble the church spires in the distance. The allegory of the boat as a Gothic cathedral sheltering believers on the ocean of life hardly needs to be spelled out. Luckily, Friedrich did not stop there.

**T**HAT same year, he painted a "Landscape with Oak Trees and a Hunter," that could have been executed in a different age. Although inspired by Ruessel's landscape in the Dresden Gemäldegalerie, it is utterly different. Friedrich's composition does not have a focal center. The landscape runs in a continuous line with no beginning or end, like some block lifted out of real nature. This is the photographic vision before the camera came into existence. Reality, observed with the pleasure of a jeweler carefully chiseling detail, was entering European art.

But there was much more to it. Seven years later came one of Friedrich's most remarkable landscapes. His study of a "Woman on the Beach of Rugen" is probably the earliest European beach view. One can almost feel the wind making ripples over the vast expanse of sea and curbing four tiny sailing boats over the dark surface done in touches of green. White cliffs appear on the horizon. A woman, her back turned to the viewer, leans on a low boulder in the foreground. This is an entirely new way of looking at nature, worthy of Boudin and early Impressionism.

By the late 1820s, the new perception had taken Germany further down the road to modernity. Carl Blechen's study of "The Ruins of Septizonium in Rome" done in 1829 shows crumbling walls and arches in sandy ochre and green under a pale blue sky. The suggestion of a southern city in the harsh noontime glare calls to mind Corot's landscapes done about the same year.

By the mid-1830s, Blechen was stealing a march on Courbet's work with which he does not seem to have been acquainted. In "Monastery in the Wood," his realism is tempered by the broad brushwork. The corner of a cloister goes right up to the top of the canvas blocking out the sky. Unkempt trees rise in the foreground. No attention is given to detail. From here to pre-Impressionist French realism in the 1860s the distance is short.

The zeitgeist was pushing in that direction. Moves were being made from every corner, including southern Germany. One of the most wonderful studies in the show is by the



Von Menzel's "Head of a Peasant with Three-Cornered Hat" in London show.

Bavarian Johann Georg von Dillis. The "View of Prater Island at Munich" is all about light effects in the foliage of huge trees. It teeters on the brink of Impressionism as early as 1820 or thereabouts.

The astounding Adolph von Menzel, perhaps the greatest revelation in the show, finally closed the gap with Impressionism, even if in confidential studies not for display. Nothing in Von Menzel's training might have led one to expect such boldness. He never intended to become an artist in the first place. He became head of the family printmaking business at 17 when his father died in 1832 and set about learning about engraving. He was prolific. Between 1839 and 1842, he produced 398 wood block illustrations for a "Life of Frederick the Great." He went in for large-size historical paintings and later drilled toward subjects dealing with more recent events in Prussia.

**C**URIOSLY, the trigger to Von Menzel's creative genius was his careful recording of daily life that he used for creating historical characters. His portrait of a man wearing a three-cornered hat in 18th-century style is done with a vigor and a penetrating psychological insight that make it a masterpiece defying labeling.

The artist's supreme achievement is a small study of Berlin tenements painted in 1847 or 1848 from the window of his

apartment. He jotted down colored impressions in quick dabs of paint. Von Menzel always retained this bold vision. Twenty years later, he painted another view from an apartment window, different but equally inventive and modernistic. The open window occupies much of the composition. Beyond, a haze of green leaves rises from below in a courtyard. At left, the upper section of an apartment house is an excuse for a study in color variations on a wall surface, mostly in shades of mellow ochre.

Far from Berlin, in Munich, Carl Spitzweg was treading his own path to alternative Impressionism. "The Painter in a Garden" done in a courtyard of sunny greens heralds the later work of Monet. The brushwork is sketchy, but more dainty and more careful. Even the idea of touches of red for a few roses to give the green could be Impressionist. But if current art historians are to be trusted, the date could be as early as around 1850.

The discovery of this other Impressionism bubbling beneath the surface in Germanic lands without any contacts with the French schools is gripping. Works such as these are hardly ever seen outside Germany or Switzerland. True, the forerunners of Impressionism must be picked out of a mass of other paintings, many of cross-conventionality, from Arnold Böcklin to Jacques-Louis Agassiz. Romanticism, more than once, is a fig leaf for kitsch. But the price is worth paying.

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## In Limerick, An Irish Collector's Legacy

By Rita Reif  
New York Times Service

**L**IMERICK, Ireland — In the art trade of the 1930s, John Hunt's eye became legendary when he bought medieval ivories, bronzes and enamels for Sir William Burrell, a Glasgow shipowner.

After World War II, the dealer sold other ancient, Romanesque and Gothic treasures to the Metropolitan Museum of Art, the Rijksmuseum in Amsterdam, the Museum of Fine Arts in Boston and the Walters Art Gallery in Baltimore.

But the bulk of Hunt's personal collection and the most compelling Irish discoveries he made are now exhibited here at the University of Limerick in, appropriately enough, the Hunt Museum.

The museum, a private trust established by the Hunt family, is operated in part by the government of Ireland. A repository for items assembled over 50 years by John and Gertrude Hunt, the gallery has on display roughly half of the 2,000 pieces that remained at his death in 1976, at age 75.

The rest are on loan to the British Museum and the Victoria and Albert in London or are in storage until the Hunt Museum moves to its new home next year.

"We'll be in before Christmas," says Mairead Dunlevy, the director of the Hunt Museum, who is also a curator at the National Museum. The new premises will be the Old Custom House, an 18th-century structure in downtown Limerick overlooking the River Shannon.

While the range of the Hunt's art — pottery shards from 5,000 B.C. to a Picasso drawing dated 1904 — is impressive, the most memorable pieces are the Irish works: neolithic, Celtic, Viking and medieval.

The Hunt's archeological and early ecclesiastical pieces are, for the most part, equal in quality to those in the National Museum in Dublin.

## BOOKS

INFORMATION WAR-  
FARE: Chaos on the Elec-  
tronic SuperhighwayBy Winn Schwartz. 432 pages.  
\$22.95. Thunder's Mouth.Reviewed by  
David Nicholson

**T**HIS isn't a book. Instead, it's a seminar between hard covers, the kind presented by \$50,000-a-day consultants whose fees are God's way of telling major corporations they have too much money.

As a three- or four-day seminar in, say, someplace like Cancun or St. Vincent, "Information Warfare" would have much to recommend it, not least the sun and the sea, and the fact that somebody else was picking up the tab. But the impetuous reviewer, sweltering in summer

with only a fan and a glass of iced coffee for comfort, can only grit his teeth and press on through the book's 400 pages.

True, much of what Winn Schwartz has to say is of value. The economies of the major nations are, he notes, increasingly information-based, dependent on a global network of computers and satellite communications systems. While computers and instant communications offer unparalleled opportunities for business and industry, they also give terrorists opportunities for "information warfare."

As Schwartz sees it, there are three classes of information warfare. Class 1 is aimed at individuals. Anyone who has a Social Security number, uses a credit card, or has a bank account leaves a trail of vital statistics in computers and databases.

A hacker with malevolent motives might modify a driving record so that it shows thousands of dollars in unpaid fines, or change credit bureau records so that they show consistent failure to pay bills.

The goal of Class 2 information warfare is to disrupt a company's business or to steal valuable information. Schwartz paints scenarios of electronic eavesdropping aimed at giving investors advance notice of a company's plans to issue new stock, say, or aimed at stealing technology that can then be reproduced cheaply overseas.

Finally, there is Class 3 information warfare, in which nations are pitted against nations, with the aim of discovering military secrets or disrupting a country's economy.

Much of this will be familiar to anyone who has read the cyberpunk science fiction of William Gibson or Bruce Sterling, and one of Schwartz's failings is that, instead of sticking to the facts, he tries to write scenes showing how these kinds of information warfare could be waged. Gibson and his cohorts did it first, and better, and so Schwartz's scenarios are amateurish and silly.

Then, too, there is the matter of repetition. Schwartz illustrates each of his three classes of information warfare over and over again. This book could have been more valuable had a good editor insisted it be half as long.

All the hype about the information superhighway is more than a little reminiscent of the days when television was in its infancy. That new medium was supposed to change our lives by bringing cultural events and educational programs into our living rooms. Instead, it has arguably been responsible for the decline of literacy and the rise of violence in our society, as well as a general debasing of the culture.

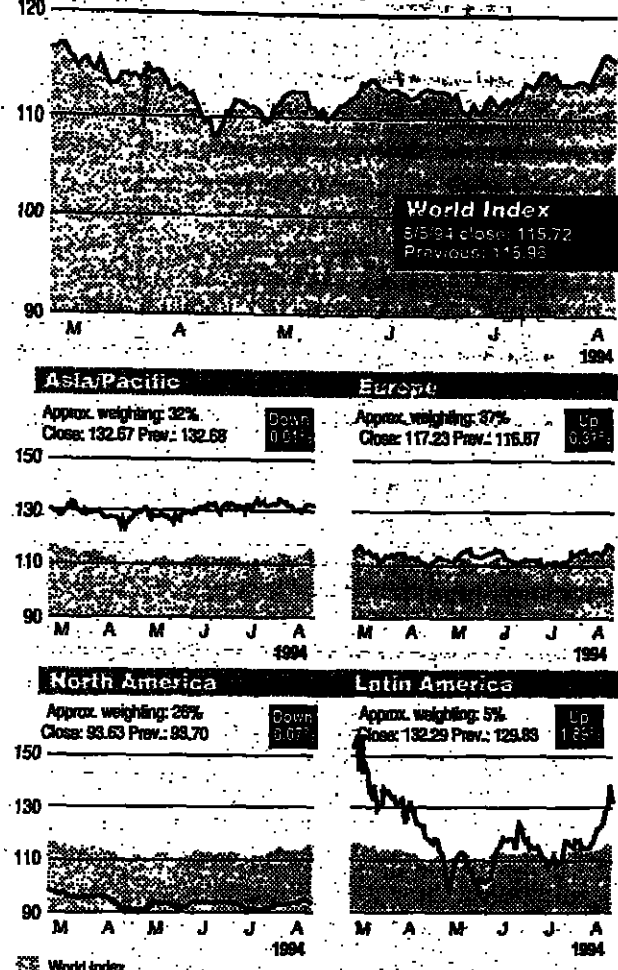
Something similar is bound to happen with the electronic superhighway, which seems as likely to become the CB radio of the '90s as it does a medium that will change our lives for the better. The dangers Schwartz points out are real, but there are other, more subtle dangers ahead. "Information Warfare" takes no note of them.

David Nicholson's reviews appear regularly in The Washington Post.



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Industry	Index	Change	Industry	Index	Change
Energy	113.88	+0.48	Capital Goods	118.76	+0.51
Utilities	124.79	+0.62	Raw Materials	131.88	+0.73
Finance	118.54	-0.10	Consumer Goods	100.91	+0.25
Services	121.36	+0.23	Manufacturing	132.70	-0.23

For more information about the index, a booklet is available free of charge. Write to Trib Index, 181 Avenue Charles de Gaulle, 92221 Neuilly Cedex, France.

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## Gridlock: Up the Creek in Shanghai

### Booming Port Struggles With Dilapidated Waterways

By Kevin Murphy  
International Herald Tribune

SHANGHAI — Boatman Chen did not get trapped in the memorable 6,000-vessel, 16-day traffic jam that stretched up and down Suzhou Creek last year. He and his load of plastic buckets, steel reinforcing rods and firewood were somewhere else that day in their increasing struggle for a clear course through Shanghai's overcrowded waterways.

Shanghai's explosive export performance and building boom have turned many of its watercourses to gridlock. "It's our biggest problem," said the veteran of 30 years on the water as heavily laden barges chugged up Suzhou creek, narrowed further by fleets of boats waiting for loading. Out on the Huangpu River that connects both to the sea and the Yangtze River, freighters jockey for a safe path past Shanghai's Bund financial district.

Like most of its long-neglected infrastructure, Shanghai's roads and rivers are struggling to keep pace with the city's 13.6 percent annual economic growth rate, a boom that appears unaffected by

Beijing's measures to dampen the economy. As in other critical areas such as roads, sewers, electricity and telecommunications, the solution will take time and money.

Myriad construction sites and sprawling factory districts invigorated by new foreign investment have drawn Mr. Chen's family and others into the traffic flow.

"Recently there have been many reports of jams in the rivers," said Yu Bihua, deputy director of the government planning commission's investment division. "A lot of unsafe ships are sailing in the rivers, and some have sunk, but we cannot decrease the number of ships; we can only improve our facilities and administration."

But, hamstrung by tight funding and the need to update the main port's cargo facilities, the dredging and widening of vital tributaries risks falling far behind the increase in traffic.

"The problem emerged very large last year because of Shanghai's fast development," said Feng Lixun, the deputy division chief of the inland waterways

administration who personally led the untangling of 14 kilometers (8.7 miles) of Suzhou Creek last month from one of 53 patrol craft under his command.

Temper can be high, said Mr. Feng of the waterway gridlocks, where shipping and boat owners lose money and live-aboard boat crews grumble about getting stuck in midstream without fresh vegetables to cook.

More than 1.5 million vessels are estimated to ply the city's 2,100 kilometers of inland waterways each year. A report in the local Wen Hui Bao newspaper said more than two dozen shipping jams, each lasting an average of three days, were reported during one busy stretch last year.

The situation has become more chaotic as barge owners who once relied solely on towing in packs have strapped engines on individual scoops.

To cope, Shanghai is spending about 200 million yuan (\$24 million) to dig channels and dredge silted tributaries. A major channeling project in the new Pudong development area will swallow 10

See PORT, Page 9

## At a Trillion, Kidder Finally Noticed

Compiled by Our Staff From Dispatches

NEW YORK — Kidder, Peabody & Co.'s internal investigation into its bond scandal concluded this week that Joseph Jett, a former star trader, simply made up trades and marked them down as having made money.

The contention remains to be proven, but the report came down when the public was being bombarded with other allegations of high-flying schemes.

In Russia, the government has alleged that MAM, a giant company run like a mutual fund, was instead a giant pyramid in which shareholders were paid off with money from new subscriptions.

In Washington, meanwhile, a popular game played among lobbyists and congressional staffers is essentially a chain letter that costs \$1,000 to play.

Kidder's 85-page report, prepared by Gary G. Lynch, the former enforcement director of the Securities and Exchange Commission, blames the firm's executives for not understanding what Mr. Jett was up to.

The report concludes that the execu-

tives did not bother to figure out how he made so much money in complex instruments as long as the firm was doing well. Nearly \$350 million in phantom profits were created; eventually Kidder took a \$210 million charge against earnings.

In the first three months of 1994, the report said Mr. Jett told Kidder he had made trades involving \$1.76 trillion in principal value. In fact, the report said, \$79 billion of those trades were real. The 95 percent remaining — \$1.68 trillion — was never traded.

Mr. Jett has denied that he did anything wrong, and neither he nor Kidder has been charged with anything. Mr. Jett, however, was fired.

The door to Jett's abuses was opened as much by human failings as by inadequate formal systems, the report concluded. "In particular, employees throughout the firm appear to have deferred to the success of the fixed-income division."

The internal report absolved all of those executives above Mr. Jett, formerly the chief Kidder government-bond

trader, of guilty knowledge, but it sharply chastized the institution for monumental failures in oversight.

Mr. Jett allegedly took advantage of a Kidder accounting system that allowed him — by simply announcing plans to take two offsetting positions — to post a phony profit. The system would eventually wipe out that false profit, but then newer, similarly fictitious gains would have been created.

He did that, the report said, by alleging activity in a part of the government bond market that has been around for many years, and whose fundamentals are well understood.

It consists of stripping a Treasury bond — separating each interest payment and the eventual principal payment, and selling them separately.

Sometimes, when strips are selling for a relatively high price, the practice can be profitable. Sometimes it is possible to make money by reconstituting a bond, that is buying all the strips and putting

See KIDDER, Page 8

## Nextel to Expand Wireless Network With Acquisition

Compiled by Our Staff From Dispatches

RUTHERFORD, New Jersey — Nextel Communications Inc. said Friday it would buy Dial Page Inc. and acquire all of Motorola Inc.'s specialized mobile radio licenses in two separate stock transactions valued at \$2.4 billion.

The agreements expand Nextel's presence in the U.S. wireless market, where it competes against McCaw Cellular Communications Inc. and the wireless units of the seven Baby Bells.

The move comes amid a wave of consolidation in the wireless industry as the companies try to position themselves to offer nationwide services. In addition, cellular companies are joining forces to combine their financial resources before the auc-

tion of wireless licenses later this year.

Wireless telephoning is essentially the same as cellular telephoning, but it uses a different band of the radio spectrum. Nextel is expected to pose a competitive challenge to existing cellular companies.

"Nextel will be the first company to offer advanced integrated wireless voice and data communications, featuring digital clarity and reliability, a single telephone number that will work anywhere and availability across North America," said Morgan E. O'Brien, the chairman of Nextel. "As a result of these transactions, Nextel has a strong spectrum position throughout the United States."

Motorola, based in Schaumburg, Illinois, will receive 62 million shares of Nextel stock for the specialized mobile radio licenses and properties, which will form the core of Nextel's digital wireless system.

The merger with Dial Page, based in Greenville, South Carolina, fills a large gap in Nextel's coverage area. Shareholders of Dial Page will get about 28 million shares of Nextel, equivalent to about \$784 million, or approximately 1.07 Nextel shares for each Dial Page share.

Nextel's stock closed \$1.125 higher, at \$26.75, while Dial Page fell \$1.375 to \$30.625, and Motorola rose 25 cents, to \$52.75.

MCI Communications Corp., which has agreed to pay \$1.3 billion for a 17 percent stake in Nextel and is negotiating an agreement to jointly market wireless services nationwide under the MCI brand name, said it supported Nextel's plans.

Nextel said it expected to complete the Dial Page takeover by the end of the year.

(Reuters, AP, Reuters)

## ECONOMIC SCENE

### Trade Law: A Prickly Issue

By Peter Passell  
New York Times Service

NEW YORK — According to Gertrude Stein, a rose is a rose is a rose. But not according to the Department of Commerce, which is on the prowl for imports that unfairly compete with American businesses.

And while it's easy to make light of the latest charges that Colombian growers are "dumping" millions of dollars worth of flowers in Miami and points north, the Colombians aren't laughing.

Nor should American consumers, suggests Robert Z. Lawrence of Harvard's Kennedy School of Government. For the case illustrates much of what economists think is wrong with U.S. anti-dumping laws. "The whole thing's a travesty," Mr. Lawrence concludes.

On five occasions in the last eight years, the Colombians have been accused by U.S. growers of selling cut flowers below their fair market value. And on all five occasions the Commerce Department has exacted only token penalties.

Why, then, are the U.S. growers trying again?

One possibility, suggests Gary Hufbauer, an economist at the Institute for International Economics, is that the trade laws encourage U.S. producers to harass competitors.

Even dumping accusations with little legal merit are expensive to defend against, he notes, and government procedures for calculating fair value are so arbitrary that bizarre outcomes are not unknown.

However dubious, the Colombian rose case illustrates how far the U.S. anti-dumping law has strayed from its economic rationale.

To economists, "dumping" means exporting below the price charged in the home market. That can offend in either of two ways: The domestic price may be above cost, implying that the seller is a monopolist gouging the folks back home. Or the export price may be below cost, raising the prospect that the exporter is trying to eliminate the competition and then exploit its ill-gotten monopoly.

But U.S. law doesn't require the Commerce Department to find that the export price is below the home price. It only needs to prove that the foreign company is exporting below its cost of production.

It sounds simple, but it's complicated. Consider the issue of what export price to use to compare with cost. Should it be the average price over a day? A month? A year?

Or should it be the price in any single transaction — the definition favored by plaintiffs, who speak darkly of "rifle dumping" in which non-U.S. producers sell, for example, 999 tons of steel above cost in order to sneak in one ton below cost.

The U.S. industry argues that the Colombian sell roses for less than their average cost during the summer — but so, of course, do U.S. growers who make a killing around Valentine's Day and take whatever they can get during the off season.

"If dumping assessments based on daily or monthly prices have any logic," concludes Mr. Hufbauer, it is only for goods that can be held as inventories.

There is the matter of computing the non-U.S. producers' costs, a maze of problems even where companies maintain solid

See ROSE, Page 8

## Japan Says Trade Gap Grows 4.7%

Compiled by Our Staff From Dispatches

TOKYO — Japan's current account surplus grew 4.7 percent in June from a year earlier, to \$11.1 billion, on a rise in exports, taking the six-month surplus to a record \$68.73 billion, the Finance Ministry said Friday.

Economists said, however, that the trade gap was narrowing in yen terms.

Japan's huge current-account and trade surpluses have been a major source of tension for more than a decade with its trading partners, including the United States, some Asian nations and the European Union.

The surplus in the current account, a broad measure of a nation's international economic flows, was the biggest ever for any six-month period because of the value of the yen against the dollar, officials said.

The ministry said the monthly surplus, up from \$8.7 billion in May, included a merchandise trade surplus of \$13.1 billion, up 14.2 percent from June last year.

In yen terms, the current account surplus for January-June fell 6.7 percent, but because of the yen's 9.7 percent rise against the dollar over the same period, the surplus went up in dollars.

(AP, AFP, Bloomberg)

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## CURRENCY & INTEREST RATES

Cross Rates	Aug. 5	Aug. 6
Australia	1.278	1.278
Canada	0.714	0.714
France	6.559	6.559
Germany	1.366	1.366
Italy	1.366	1.366
Japan	109.00	109.00
Netherlands	2.203	2.203
Switzerland	1.485	1.485
UK	1.546	1.546
US	0.756	0.756

Other Dollar Values	Aug. 5	Aug. 6
Australia	0.714	0.714
Canada	0.714	0.714
France	6.559	6.559
Germany	1.366	1.366
Italy	1.366	1.366
Japan	109.00	109.00
Netherlands	2.203	2.203
Switzerland	1.485	1.485
UK	1.546	1.546
US	0.756	0.756

Forward Rates	30-day	60-day	90-day
Australia	1.278	1.278	1.278
Canada	0.714	0.714	0.714
France	6.559	6.559	6.559
Germany	1.366	1.366	1.366
Italy	1.366	1.366	1.366
Japan	109.00	109.00	109.00
Netherlands	2.203	2.203	2.203
Switzerland	1.485	1.485	1.485
UK	1.546	1.546	1.546
US	0.756	0.756	0.756



## MARKET DIARY

## Strong Job Growth Shocks Wall Street

Compiled by Our Staff From Dispatches  
NEW YORK — Wall Street was jolted Friday by the government's report of strong job growth in July, which ignited fears that the Federal Reserve Board would move quickly to raise interest rates.

The price of the benchmark 30-year Treasury bond plunged 1 1/2/32 point, to 84.29/32, sending

## U.S. Stocks

ing the yield up to 7.55 percent from 7.40 percent Thursday.

The bond-market report helped pull down stocks, with the Dow Jones industrial average closing down 18.77 points at 3,747.02 and losing issues outpacing

gaining ones by a 13-to-7 ratio on the New York Stock Exchange.

Higher rates can slow economic growth to a more moderate pace, but they also crimp corporate profits by raising borrowing rates and holding back spending by both companies and consumers.

## Stronger Employment Undercuts the Dollar

NEW YORK — The dollar dropped against the Deutsche mark Friday in response to an unexpectedly strong fall in the July U.S. unemployment rate, but dealers saw a silver lining of strength if the Federal Reserve increases interest rates.

The U.S. currency rallied briefly in an indecisive market

## Foreign Exchange

after the employment figures were released, but it trailed off from that point and closed down almost a penny at 1.5777 DM, compared with 1.5873 DM on Thursday.

The dollar closed at 100.20 yen, a slight loss from Thursday's 100.475 yen.

At Nomura Research Institute, the analyst Martin de Bloo said that the employment figures, which were potentially more inflationary than had been expected, caused the bond market to fall. This, in turn, dragged the dollar down.

"It's pretty frustrating for dollar bulls," said Bob Near, a vice president at the Bank of New York.

"The jobs number was good enough to increase the prospect

Among individual issues, Lowe's plunged 2 1/4 to 30 1/4 after the building-material retailer was downgraded by an analyst after it reported the smallest monthly sales increase in five months.

In over-the-counter trading, SLM International dropped 1 1/4 to 7 1/4 after the maker of toys and sporting goods reported second-quarter earnings below analysts' expectations.

Telecommunications new Class A shares slipped 1/4 to 23 1/4 a day after the country's largest cable television company reacquired its programming affiliate, Liberty Media Corp., as part of its merger with QVC.

Ben & Jerry's Homemade plunged 2 1/4 to 14 after the ice cream maker reported a sharp drop in earnings.

Caterpillar fell 2 1/4 to 10 1/4, accounting for a large percentage of the Dow's fall. The company announced that shareholders approved a 2-for-1 stock split. (Bloomberg, AP)

## Stronger Employment Undercuts the Dollar

that the Fed will raise rates. I thought we would have reacted positively, since the dollar needs a positive interest-rate move to break out of its range against the European currencies. But the bond market reacted so poorly that the dollar couldn't ignore it.

Other closing dollar rates in New York compared with Thursday included 1.3335 Swiss francs, down from 1.3406, and 5.4090 French francs, down from 5.4325. The British pound rose to \$1.5415 from \$1.5357.

(AP, Bloomberg)

## KIDDER: More Signs of Lax Supervision in Jett Case

Continued from Page 7  
them back together to form a bond. That is known as a recon in Wall Street language.

The markets in those bonds are relatively efficient, however, and arbitrage keeps the prices of the strips and the recon close to each other. The profit to be made is usually small.

A single strip constitutes a government promise to make a payment in the future. As a result, the price of that strip will

rise as the payment date approaches, assuming there is no change in interest rates.

The former Kidder accounting system allowed Mr. Jett to take credit for whatever part of that inevitable rise he wanted to claim, the report said. It did that because he would report having agreed to sell the security in the future at the higher price, while seemingly paying the lower, current price.

As the later date neared, the

report said, those fictitious profits would vanish from the books. To get the profits back, he would have to come up with more trades.

Over time, various questions were raised at Kidder, but until this spring no one seems to have noticed the inherent implausibility of what Mr. Jett said he was doing. He had been, in fact, given huge bonuses.

(NYT, WP)

## ROSE: Are Colombians Dumping?

Continued from Page 7  
financial data. To finance the accounting issue with Colombian roses, the Commerce Department could fall back on the traditional definition of dumping.

But because there effectively is no home market for Colombian flowers, the department is considering using the price of Colombian roses sold in Europe as its benchmark.

The catch there, however, is

that Colombia sells only a token number of its roses outside the United States. To avoid being edged by European prices, the Colombians are apparently prepared to end all rose exports to Europe.

Could the anti-dumping laws be fixed? "You'll never get a level playing field as long as there is one set of rules for domestic production and one for imports," Mr. Lawrence of Harvard argues.

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## Dow Jones Averages

Open	High	Low	Last	Chg.
Index	3747.02	3747.02	3747.02	-18.77
Trans.	100.20	100.20	100.20	-0.01
Comp.	132.25	132.25	132.25	-0.01

## Standard &amp; Poor's Indexes

High	Low	Close	Chg.
Industrials	533.36	533.36	-1.18
Utilities	288.99	288.99	-0.27
Midcaps	126.45	126.45	-0.17
Small	424.94	424.94	-0.17
SP 500	424.94	424.94	-0.17

## NYSE Indexes

High	Low	Last	Chg.
Composite	252.27	252.27	-0.77
Financial	244.83	244.83	-0.77
Foreign	212.13	212.13	-0.77

## NASDAQ Indexes

High	Low	Last	Chg.
Composite	718.29	718.29	-1.19
Industrials	719.59	719.59	-1.19
Technology	719.59	719.59	-1.19
Small	719.59	719.59	-1.19

## AMEX Stock Index

High	Low	Last	Chg.
Composite	461.54	461.54	-0.34
Financial	461.54	461.54	-0.34
Foreign	461.54	461.54	-0.34

## Dow Jones Bond Averages

Open	High	Low	Last	Chg.
30 Year	84.29	84.29	84.29	-0.12
10 Year	84.29	84.29	84.29	-0.12
5 Year	84.29	84.29	84.29	-0.12

## NYSE Diary

Advanced	Declined	Unchanged	Total Issues
123	123	123	123
123	123	123	123
123	123	123	123

## AMEX Diary

Advanced	Declined	Unchanged	Total Issues
123	123	123	123
123	123	123	123
123	123	123	123

## NASDAQ Diary

Advanced	Declined	Unchanged	Total Issues
123	123	123	123
123	123	123	123
123	123	123	123

## Spot Commodities

Commodity	Today	Prev.
Aluminum	0.45	0.45
Copper	0.45	0.45
Gold	0.45	0.45

## EUROPEAN FUTURES

Open	High	Low	Last	Chg.
Index	3747.02	3747.02	3747.02	-18.77
Trans.	100.20	100.20	100.20	-0.01
Comp.	132.25	132.25	132.25	-0.01

## Metals

Open	High	Low	Last	Chg.
Index	3747.02	3747.02	3747.02	-18.77
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## NYSE Diary

Advanced	Declined	Unchanged	Total Issues
123	123	123	123
123	123	123	123
123	123	123	123

## AMEX Diary

Advanced	Declined	Unchanged	Total Issues
123	123	123	123
123	123	123	123
123	123	123	123

## NASDAQ Diary

Advanced	Declined	Unchanged	Total Issues
123	123	123	123
123	123	123	123
123	123	123	123

## Spot Commodities

Commodity	Today	Prev.
Aluminum	0.45	0.45
Copper	0.45	0.45
Gold	0.45	0.45

## U.S. FUTURES

Open	High	Low	Last	Chg.
Index	3747.02	3747.02	3747.02	-18.77
Trans.	100.20	100.20	100.20	-0.01
Comp.	132.25	132.25	132.25	-0.01

## Grains

Open	High	Low	Last	Chg.
Index	3747.02	3747.02	3747.02	-18.77
Trans.	100.20	100.20	100.20	-0.01
Comp.	132.25	132.25	132.25	-0.01

## Metals

Open	High	Low	Last	Chg.
Index	3747.02	3747.02	3747.02	-18.77
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## NYSE Diary

Advanced	Declined	Unchanged	Total Issues
123	123	123	123
123	123	123	123
123	123	123	123

## AMEX Diary



## Free MMM Chief, Shareholders Say

Compiled by Our Staff From Dispatches

MOSCOW — Angry shareholders called on Russian authorities Friday to free Sergei Mavrodi, the president of the MMM investment fund who was arrested Thursday.

The arrest of Mr. Mavrodi has shut down MMM, which last week devalued its shares by more than 99 percent in a single day and which the government has called a scam. MMM says it has 10 million investors.

"All major decisions are taken by the president, and it is impossible to run a company from prison," said a statement read to about 3,000 investors gathered outside the company's headquarters in central Moscow.

Mr. Mavrodi could face as much as five years in prison if allegations of tax evasion against another company in his corporate empire are proved, the police said. They said Mr. Mavrodi and his brother, Vyacheslav, had managed to destroy documents before police swarmed into their apartment Thursday.

MMM said its offices would stay closed until the chairman was released.

Investors clutched banners reading "Hands Off Mavrodi."

and speakers demanded information on why tax authorities were investigating Mr. Mavrodi's companies.

Authorities, describing MMM's shares as nothing more than lottery tickets, have accused the firm of violating tax and security laws.

They say the firm had been running a classic pyramid operation, using money from share purchases to fund an advertising campaign and allow share buybacks at higher rates.

The government's antitrust committee said Friday it planned to start penalizing investment companies that advertised exorbitant rewards and then did not deliver them.

But MMM shareholders demand more of the government. Thousands of them signed a letter to President Boris N. Yeltsin asking for his help and threatening a nationwide vote of confidence in the government if they did not get it.

Separately, the government said Friday that foreign investment in Russia totaled \$278 million in the first half of the year, down sharply from the previous year.

(Reuters, AFP, Bloomberg, AP)

## Recovery Bypasses Europe's Banks

Bloomberg Business News

FRANKFURT — Even as Europe's economies advance, analysts are warning investors away from bank stocks.

First-half earnings reports have shown that most major European banks offset lower trading income with lower provisions for bad loans. While some managed hefty increases in pretax profit, analysts consider the operating profit lackluster.

"The chances of bank stocks outperforming the market or showing any growth are very bad," said Charlotte Frenzel, a banking analyst at DB Research GmbH, a unit of Deutsche Bank. "Things won't pick up until next year."

Union Bank of Switzerland was the latest big bank to disclose that it had

suffered a big drop in trading income. In the past year, German bank stocks underperformed the market by about 13 percent, Swiss banks by about 11 percent and British banks by about 18 percent. As market performers, only insurance

shares were worse. "In terms of lending, the basic business of banking, the industry trend is similar — all are facing the same flat demand, apart from the Bavarian mortgage banks," said Derek Bullman, an analyst at James Capel in London.

But Dino Fuschillo, European portfolio manager at Lazard London International Investment Management, said banks had reached attractive valuation levels.

Urs Brenner, a portfolio manager at

Swiss Volksbank in Zurich, said he expected cost-cutting in the retail divisions of Switzerland's three largest banks — UBS, Credit Suisse and Swiss Bank Corp. — to enable them to outperform European rivals in the next few years.

Some banks have exceeded the admittedly low expectations of analysts. Shares in Deutsche Bank AG rose on a modest increase in operating profit.

Shares in Britain's No. 2 retail bank, National Westminster PLC, regained a tiny fraction of the 27 percent lost this year after a major increase in pretax profit. Analysts concluded, however, that the bank was still struggling.

Allied Irish Banks PLC also exceeded expectations, boosted by the fastest-growing economy in Europe.

## Drop in Trading Income Hurts UBS

Compiled by Our Staff From Dispatches

ZURICH — Union Bank of Switzerland said Friday its first-half net profit fell 28 percent from a year earlier, primarily because of a 68 percent drop in trading income.

The banking company said it had earnings of 929 million Swiss francs (\$697 million) in the quarter, down from 1.29 billion francs in the 1993 first half. Income from trading operations was 493 million

francs, down from 1.55 billion a year earlier.

Bearer shares of UBS fell 3 percent in Zurich, to 1,150 francs.

The bank's drop in trading income was more severe than those of its competitors such as Credit Suisse, said Ian McEwen, a bank analyst at Merrill Lynch & Co. in London.

The large drop showed UBS had been caught off

guard by the sudden rise in short-term interest rates this year, other analysts said.

"The main conclusion one can draw is that the bank had certain expectations for interest-rate movements and it went wrong," said Jim Hyde of Williams de Broe in London.

The bank said its interest income slipped to 1.78 billion francs from 1.92 billion.

But UBS said lower provi-

sions for credit losses prevented further losses in net profit. UBS lowered its credit-loss provision to 790 million francs from 1.07 billion.

The bank's income from commissions rose to 2.14 billion francs from 1.93 billion francs.

Separately, UBS said it had obtained regulatory clearance to offer American depositary receipts on Aug. 15. (Reuters, AFP, Bloomberg)

### Investor's Europe

Frankfurt DAX	London FTSE 100 Index	Paris CAC 40
2200	3500	2400
2100	3400	2300
2000	3300	2200
1900	3200	2100
1800	3100	2000
1700	3000	1900
1600	2900	1800
1500	2800	1700
1400	2700	1600
1300	2600	1500
1200	2500	1400
1100	2400	1300
1000	2300	1200
900	2200	1100
800	2100	1000
700	2000	900
600	1900	800
500	1800	700
400	1700	600
300	1600	500
200	1500	400
100	1400	300
0	1300	200
1994	1994	1994
Exchange	Index	Friday Close
Amsterdam AEX	419.87	419.70
Brussels Stock Index	2,737.50	2,740.43
Frankfurt DAX	2,184.76	2,183.36
Frankfurt FAZ	827.84	825.73
Helsinki HEX	1,877.21	1,886.21
London Financial Times 30	2,471.50	2,481.50
London FTSE 100	3,167.50	3,150.50
Madrid General Index	321.12	319.77
Milan MIB	1,137.00	1,144.00
Paris CAC 40	2,107.07	2,096.45
Stockholm Aftersveiden	1,952.63	1,975.88
Vienna Stock Index	462.85	461.80
Zurich SSS	927.84	931.41
Sources: Reuters, AFP		International Herald Tribune

### Very briefly:

- France's Economy Ministry said Friday it had appointed the banks Credit Agricole and Rothschild & Cie. to advise the government on a "change in the capital" of state-owned automaker Renault, which is being privatized.
- Koninklijke PTT Nederland NV, the commercial television group RTL and VNU NV's magazine group said they planned to start a telephone home-shopping system in September.
- Italy's cabinet authorized the suspension of procedures for the fusion of Banca Nazionale delle Comunicazioni SPA in Istituto Bancario San Paolo di Torino SPA, to review the sales and "other solutions," the Transport Ministry said.

### Aeroflot Won't Be Sold, Moscow Says

Reuters

MOSCOW — Aeroflot Russian International Airlines, which sold a 49 percent stake to its employees at a closed auction in June, has no plans to open up to the public or sell block shares to foreign investors, an executive said Friday.

Sergei Plevako, chairman of the Privatization Commission at Aeroflot, said 51 percent of the airline would remain in state hands.

Aeroflot, which flies to 135 destinations in more than 100 countries, is capitalized at 2.19 billion rubles (\$1 million). Aeroflot shares, with a 1,000-ruble face value, cost 1,700 rubles at the auction to employees, Mr. Plevako said.

### EU Output Rises 4% In New Recovery Sign

Compiled by Our Staff From Dispatches

BRUSSELS — Industrial production in the European Union was up 4 percent in May from a year earlier, adding to the conviction that European economies are pulling out of recession.

The underlying rate of industrial production "is clearly on the increase," said Eurostat, the EU statistics bureau.

In Britain, meanwhile, industrial output rose a modest 0.3 percent in June while manufacturing output fell 0.2 percent, the Central Statistical Office said. The drop eased concern in financial markets that the government might raise interest rates without undermining confidence in the economic recovery.

"There is nothing in the data today or recently to suggest the economy is accelerating, and that has to be favorable for the immediate inflation outlook," said Gerard Lyons, chief economist at DKB International.

Industrial production in the April-June period was 2.0 percent higher than in the preceding three months and 5.7 percent above the year-earlier quarter, the office said. Manufacturing output was up 1.3 percent from the preceding three months and 3.5 percent from the year-earlier quarter.

For the European Union, industrial production rose 2.1 percent in the three months ended in May from the previous three months.

In the February-April period, industrial production in Japan was up 0.8 percent and in the United States was up 1.6 percent.

(Reuters, Knight-Ridder, Bloomberg, AFP)

### Swiss Store Firm Takes Stake in Fust

Compiled by Our Staff From Dispatches

ZURICH — Grands Magasins Jelmoli SA said Friday it had acquired 34 percent of the capital and 51 percent of the voting rights in Dipling Fust AG, a household appliance retailer.

Jelmoli said it had acquired the Fust shares for 141.5 million Swiss francs (\$106 million), based on an average price of 410 francs for Fust's bearer shares between February and May this year.

Jelmoli said it planned an option or convertible loan in the next few weeks to help finance the transaction. It said the acquisition should add as much as 455 million francs to its annual sales by 1996, which should lift profit.

Analysts said Fust's electronics stores complemented Jelmoli's department store business, and their cooperation would lower both companies' costs and increase their margins.

But Wilhelm Blaeuer, financial analyst at Union Bank of Switzerland, said "the synergies aren't that great to say that they are so positive."

The transaction raised suspicions of insider trading among analysts and company executives because since July 25, Fust shares rose 10.5 percent and Jelmoli shares rallied 5.4 percent.

Peter Lemmann, the finance director of Jelmoli, said the

gains were probably caused by a mixture of a cyclical market rally and positive analyst recommendations, but "whether insiders were at work we don't know and of course can't discount."

Gerard Piasco, trading strategist at Credit Suisse, said rumors of the takeover had circulated in the market this week and that insider trading was possible. (Reuters, Bloomberg)

### Forte Expects Profit Boost

Compiled by Our Staff From Dispatches

LONDON — The hotels and leisure group Forte PLC said Friday that first-half profit increased as business picked up at its hotels throughout Britain, particularly in London.

The company will release first-half earnings Sept. 29. In April, Forte said pretax profit slipped to £87 million in the year ended Jan. 31 from £71 million a year earlier because of smaller one-time gains.

(Bloomberg, Reuters)

### PORT: Up the Creek in Shanghai

Continued from Page 7

times that amount in the next few years.

The goal is to encourage use of larger ships, increasing the cargo per vessel. But authorities admit such measures may not be enough to do the job if growth continues at its current pace.

Foreign shipping groups such as Hong Kong International Terminals, Sealand and Orient Overseas Container Lines have announced major investments in deep port facilities, and work is under way to increase the

depth of the Shanghai approach to the mouth of the Yangtze.

Currently the channel is too shallow to accommodate larger container ships and is only open to many ships at high tide, which could restrict the growth of other ports farther up the Yangtze, known as the Dragon's Tail.

The dredging project, which will cost close to \$1 billion, will take about 10 years to complete. It is considered vital if Shanghai is to keep pace with cargo handling, which grew by 38 percent in 1993 over the previous year.

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# NYSE

Friday's Closing  
Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

(Continued)

12 Month	Div	Yld	PE	52	52	High	Low	Open	Close
High	Low	Open	Close	High	Low	Open	Close	High	Low
12 Month	Div	Yld	PE	52	52	High	Low	Open	Close
High	Low	Open	Close	High	Low	Open	Close	High	Low

12 Month	Div	Yld	PE	52	52	High	Low	Open	Close
High	Low	Open	Close	High	Low	Open	Close	High	Low

12 Month	Div	Yld	PE	52	52	High	Low	Open	Close
High	Low	Open	Close	High	Low	Open	Close	High	Low

12 Month	Div	Yld	PE	52	52	High	Low	Open	Close
High	Low	Open	Close	High	Low	Open	Close	High	Low

12 Month	Div	Yld	PE	52	52	High	Low	Open	Close
High	Low	Open	Close	High	Low	Open	Close	High	Low

12 Month	Div	Yld	PE	52	52	High	Low	Open	Close
High	Low	Open	Close	High	Low	Open	Close	High	Low

12 Month	Div	Yld	PE	52	52	High	Low	Open	Close
High	Low	Open	Close	High	Low	Open	Close	High	Low

12 Month	Div	Yld	PE	52	52	High	Low	Open	Close
High	Low	Open	Close	High	Low	Open	Close	High	Low

12 Month	Div	Yld	PE	52	52	High	Low	Open	Close
High	Low	Open	Close	High	Low	Open	Close	High	Low

12 Month	Div	Yld	PE	52	52	High	Low	Open	Close
High	Low	Open	Close	High	Low	Open	Close	High	Low

12 Month	Div	Yld	PE	52	52	High	Low	Open	Close
High	Low	Open	Close	High	Low	Open	Close	High	Low

12 Month	Div	Yld	PE	52	52	High	Low	Open	Close
High	Low	Open	Close	High	Low	Open	Close	High	Low

12 Month	Div	Yld	PE	52	52	High	Low	Open	Close
High	Low	Open	Close	High	Low	Open	Close	High	Low











THE  
REPORT

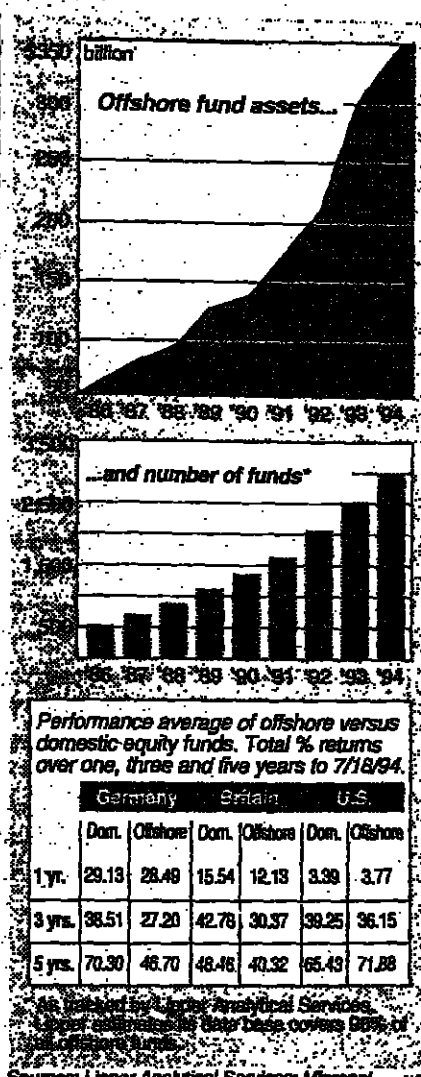
**FIRST COLUMN**

## So, You've Seen the Irish Fight?

**B**ERTIE AHERN, the Irish minister of finance, raised an eyebrow or two in New York this summer. His business calendar — and that of what seemed like half his countrymen — lead him to the Giants Stadium for the Ireland-Italy World Cup match. The surprise was the generosity with which Mr. Aherne was distributing tickets. It is, after all, difficult to be known for your open-handedness if you preside over a low-inflation, low debt-to-GDP economy at the cost of high unemployment. But Mr. Aherne's objectives are geared toward European integration, and the price, apparently, has to be paid.

Which leaves the Irish — and the Luxembourgish — in something of a quandary. Under the German presidency of the European Union, finance minister Theo Waigel is pressing for the imposition of withholding taxes on all annual fund income payments in Europe. Luxembourg and Britain argue that the standard should be to allow all European countries to pay income gross of tax.

As for the Irish, one thing is certain: Mr. Aherne's generosity will not extend to giving his country's tax concessions away without a fight. **M.E.**



## Offshore Funds Flowing Upstream Into the Mainstream

By Conrad de Aenle

**O**FFSHORE has migrated to the mainstream. After once being shunned as gimmicky investments suitable only for the rich and shifty, funds set up in offshore tax havens have developed wide acceptance, first among regulators, then among ordinary investors, especially in Europe.

Assets in the offshore funds tracked by Lipper Analytical Services totaled \$343 billion at the end of June. Despite sagging stock and bond markets this year, that figure is 14 percent higher than the \$300 billion in assets recorded at the end of last year. In 1993, when markets were healthier, assets rose 43 percent.

Double-digit asset growth has been the rule for the offshore fund industry for many years; total assets have risen from \$61 billion at the end of 1986. Much of that growth was propelled by the European Community's UCITS directive, which allowed funds domiciled in one member state to have the right of access to any other.

The UCITS directive gave a big boost to Luxembourg, a European Union member that is considered an offshore haven because it offers tax advantages similar to those in investment centers which are literally offshore. In fact, in terms of money invested, Luxembourg is far bigger than all other offshore jurisdictions put together.

"The big effect that UCITS had was to legitimize the offshore fund market," said one fund industry executive. "It gave it an official imprimatur."

Of offshore funds, Bill McBride of Lipper remarked: "I think they're getting easier to market to the real world, largely

because of real-world interest from investors. Also, some major players are getting more sophisticated and have invested heavily in technology and in building good distribution networks."

Technology is important because offshore fund shareholders are a diverse lot that can pose considerable administrative difficulties. Statements must be sent out in different languages, currency conversions have to be made, and dealings with clients need to conform to the legal frameworks of various jurisdictions in which funds are sold. Several institutions, notably Luxembourg banks, are spending large sums to beef up their shareholder record-keeping systems.

"Maintaining accounts is very expensive," Mr. McBride said. "Technology providers to the fund industry in Europe who can show that they can cut costs will be in demand. Technology is going to be an important driving force."

Cracking the distribution channels in the markets that offshore fund providers want to expand in, especially in Europe, is a more daunting feat. Most funds are sold through banks on the continent, and through brokers, financial planners or insurance companies in Britain.

The tendency is for those institutions to push their own products, or those offered by companies with which they have a longstanding relationship. For others, it's tough to get a foot in the door. That's why direct marketing is seldom used.

The American discount brokerage Charles Schwab & Co. is trying to spread the direct practice with its International FundSource Service. Funds in three offshore families — Guinness Flight, Roth-

**Offshore Fund Center**  
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Taxation and regulation  
Setting up on your own  
Slipping through the net

schild and Wright Investors' Service — can be bought over the phone 24 hours a day, and without a service charge, which can mean a big saving.

Even so, in the seven months or so that Schwab has offered the service, public response has been muted. Neil Statley, managing director of Charles Schwab Ltd., the subsidiary in London that runs the program, said that just 500 customers had invested \$10 million or so in the funds. A similar service that Schwab operates for American fund traders holds billions of dollars in customer assets.

"It's the first time Schwab had launched a fund service outside the U.S.," Mr. Statley said. "It's a case of developing the product." He said that discussions had been held with other fund families to join the program, although so far there are no takers, most likely out of fear of ruffling the feathers of intermediaries, who continue to bring funds most of their business.

"It's a delicate line to travel," said an executive at a fund company that declined to participate in the Schwab service. "It's an aspect that needs careful handling, but it's something the industry in Europe is going to have to grasp in the next five years." Ultimately, he said, funds may offer two charging structures, depending on how they find their customers.

Cutting the costs of buying and owning offshore funds is important. Servicing the accounts of their varied and far-flung clientele makes the funds expensive to operate, and this hurts returns.

A look at domestic and offshore equity funds that invest in three countries — the United States, Britain and Germany — shows that during the last five years, the offshore funds generally underperformed the domestic ones, according to Micropal, a firm that tracks fund performance.

"My guess would be some portion of that is going to be expenses," Mr. McBride of Lipper said of the poor showing. "There are more service costs, and generally offshore funds have been able to command higher management fees. And they have tended to be smaller than their domestic counterparts, so they don't benefit from economies of scale."

While offshore funds can't lower their costs appreciably, at least not yet, they are starting to improve their service. Many of the larger companies are starting to offer American-style frills such as checkbooks and charge cards and long business hours.

Fleming Fund Management (Luxembourg), for instance, expects to extend its opening hours early next year and beef up its customer-service staff "to be more available to shareholders, not just for dealing but for further information," said Rodney Williams, a director at Flemings in Frankfurt.

"We have to take it that we are a service business," he said. "What is going to mark out the winners and losers in the investment fund industry is a commitment to give high levels of service to clients."

## Dublin's Star Still on the Rise

By Bale Netzer

**F**INANCIAL companies which set up shop in Dublin before the end of 1994 will be guaranteed a 10 percent corporate tax rate until the year 2005. Companies that come to Dublin afterward will pay the normal Irish corporate tax rate of 40 percent.

The fiscal bonus has, as hoped, attracted dozens of fund companies to Dublin's International Financial Services Center, as it continues to vie for business with other European offshore locales such as Luxembourg and the Channel Islands.

Officials at Ireland's Industrial Development Authority, the state organization responsible for promoting the country's nascent financial center, say that although they are lobbying Brussels for an extension of the deadline, the disappearance of the tax incentive will have little effect on the financial center's growth.

Fund companies that have already set up a Dublin operation, moreover, say the low tax rate was just one factor that drew them there. More important, they say, were the conditions that allowed them to enhance their offerings to investors: the ready supply of an educated and relatively cheap workforce to accomplish custodial and administrative tasks, and a central bank willing to work for speedy approval of new fund offerings.

As in most other offshore locales, there is no withholding tax on investment income in Ireland for non-resident investors.

European fund providers are not the only ones migrating to Dublin. Others, from far-flung international locales, have come to Ireland in order to set up an operation that allows them to sell their products across European borders.

"We wanted a foothold in Europe, and Ireland has a lot of advantages over Luxembourg," said John Lowry, international marketing manager for Old Mutual International Fund Managers in Dublin, whose parent company is based in South Africa. Some fund companies based in the

United States and Asia add that they prefer an English-speaking base for their European operations.

"The banks in Germany and France will establish offices in Luxembourg because it's easier for them," said Paul McNaughton, chief executive of Morgan Grenfell (Ireland) Limited. "But the British, the Japanese, the Korean, the American, the Swiss and the Scandinavian? They're coming to Ireland now that they have a choice."

The attention Dublin is winning from the international financial community is in large part due to the leading role that Ireland's central bank has taken in quickly approving new investment products. At the Dublin office of U.S.-based Federated International Management Limited, for example, operations manager Peter Butler said the central bank's quick approval process has helped satisfy investors.

"Our French customers were dissatisfied with the approval time in Luxembourg," he said. "But in Dublin, we were able to introduce our corporate bond fund within a number of weeks and that impressed them."

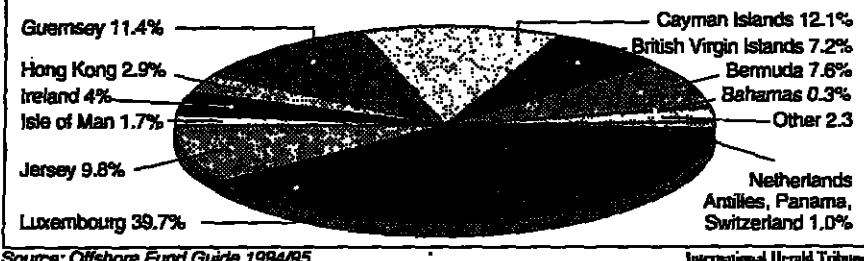
When Old Mutual wanted to launch an emerging markets bond fund, it attempted to get approval in one week, according to Mr. Lowry. "It ended up taking three weeks," he admitted. "But in Luxembourg, it would have taken even longer."

Fund companies which have come to Dublin also praise the willingness of Ireland's central bank to consider products involving complicated derivative securities.

The central bank has also approved so-called "professional investor funds." As long as such vehicles require a minimum investment of 200,000 Irish pounds (\$303,000), fund managers are allowed to trade in riskier investments not deemed appropriate for novice investors.

"They're going on the assumption that if you have a lot of money, you know what you're doing," said Mr. McNaughton. "They take a very pragmatic approach and they're both tough and fair on a day-to-day basis."

### Domicile of Offshore Funds



## Location a Lift for Luxembourg

By Rupert Bruce

**L**UXEMBOURG is an offshore fund management center with a difference. Unlike most, it is not an island, and its regulations and taxes are light-to-normal, rather than light-to-non-existent. It does, however, have strict banking secrecy laws of Luxembourg's Monetary Institute, which oversees the country's investment industry, says Luxembourg's appeal to the banks, investment management companies, and life insurers that have flocked there, lies in its blend of geographical position, multilingual work force, and determination to help the financial community.

"If you have an industry of 220 banks with about 20,000 people directly employed by them, you have a lot of know-how available," said Mr. Jaans.

Luxembourg emerged as a financial center in the late 1960s, when it became a center for the Eurocurrency business. Then, in the 1980s, it became a popular center for private banking and investment management.

Over the past four years, it has grown dramatically as a fund management center. While in 1990 there were 805 funds with assets of 2.9 trillion Luxembourg francs (\$89.2 billion), there are now over 1,200 funds with assets of 10.4 trillion francs.

Two of the largest groups in Luxembourg are Fleming Fund Management and

Fidelity Investments (Luxembourg) SA. Fleming set up in 1988 and now has between \$2 billion and \$3 billion under management in its Fleming Flagship funds.

Christopher Cottrell, chief executive of Fleming Fund Management, says his goal is to nearly double the amount of assets under management annually. Meanwhile, Fidelity, which launched its Fidelity Funds family in late 1990, has \$2.8 billion under management.

"We were looking for somewhere to base our central operation within continental Europe," said Mr. Cottrell. "We wanted somewhere that was fairly close to our clients, somewhere that was neutral, and somewhere we could get a good supply of multilingual staff."

Analysts say that Luxembourg anticipated the 1987 UCITS directive that governs the marketing of mutual funds in the EU several years before it happened. By 1983, Luxembourg authorities were pretty sure of what the directive would stipulate, some note, and they adapted their own laws to dovetail with it.

This meant that when the directive finally came into force, Luxembourg-based fund management groups were able to sell their funds across Europe immediately.

Jacques Drossart, managing director of PanEuroLife, which opened its Luxembourg office in January of 1991, said: "Luxembourg is very centrally located, and, maybe more importantly, there is a social, political and economic stability that is very high."

## Bermuda Seeks Its Own Niche

By Aline Sullivan

**W**HILE Bermudians claim that their country is peerless among offshore centers, not everyone is enthusiastic about the tiny island's role as a center for investment funds.

Few observers deny, however, that Bermuda's financial services sector has landed some pretty big fish in recent years. All 23 of Fidelity International's currency funds, for example, are domiciled in Bermuda, although the fund managers are based in Britain and the funds administered in Luxembourg. Indeed, one of the knocks against the island is that its small size can translate into high costs for providers. That means that many funds domiciled on the island are actually run elsewhere.

Fidelity's money funds are now worth more than \$500 million, up from \$300 million in September 1993. "Bermuda's tax laws are more beneficial to currency funds than any of the other places we looked at," said a spokesman for Fidelity International in London.

Bermuda is now the domicile of an ever-increasing number of offshore funds — 460 according to a recent tally — including 268 mutual funds and 51 unit trusts. Assets under management totaled \$11.7 billion as of April 30, up from \$10.5 billion at the end of last year.

Investment managers choose Bermuda for several reasons, say analysts. Among them are the absence of taxes on non-resident investors, which attracts business, a sophisticated telecommunications network and competent custodial services.

Another charm of the semi-tropical archipelago for those who actual run their funds out of Bermuda is its proximity to the United States: The islands are only 600 miles off the coast of South Carolina and are regularly serviced by planes to New York and London.

A stable political system also helps. Bermuda remains a British colony, a status supported by the island's powerful

business community. Companies registered in Bermuda operate according to British law — a known quantity for investors. Bermudian regulation of funds is more rigorous than in most offshore centers, but remains far less onerous than that in the United States or Britain.

"We do have regulation but not to the extent found in many jurisdictions," said Malcolm Williams, general manager of the Bermuda Monetary Authority, a regulatory body. "Our flexibility and lack of a plethora of regulation makes us very attractive. Doing business here is safe but simple."

Bermudian fund managers like to say that they service a global client base while other offshore centers are more regional. Bermuda-domiciled funds are particularly popular with high-net-worth Asian and Middle Eastern clients who value security above any other criteria, observers say.

Thornton Unit Management's New Tiger Selection Funds, a family of 10 single-country funds, are domiciled in Bermuda and managed out of Hong Kong. A spokesman for the company said Bermuda is "an efficient and well-established center for fund administration," which also has a good reputation among European and Asian investors.

All told, the performance of Bermuda funds is roughly in line with those elsewhere. The downturn in world markets earlier this year caused the amount invested through Bermuda to drop to \$11.7 billion at the end of April, down from almost \$13 billion at the end of February. But managers say business is picking up again.

Some investors warn, however, that further growth might be hampered by regulatory restrictions in other countries. Bermudian managers are unable to market their mutual funds in the United States, for example, and only a few have obtained recognition from the Securities and Investments Board in Britain.

Perhaps as a result of these constraints, some investment managers in Bermuda are beginning to focus more on running specialized investment portfolios.

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## THE MONEY REPORT

Country	12 months	6 months	3 months	1 month	1 week	1 day
Austria	12	6	3	1	1	1
Belgium	12	6	3	1	1	1
Denmark	12	6	3	1	1	1
Finland	12	6	3	1	1	1
France	12	6	3	1	1	1
Germany	12	6	3	1	1	1
Great Britain	12	6	3	1	1	1
Greece	12	6	3	1	1	1
Ireland	12	6	3	1	1	1
Italy	12	6	3	1	1	1
Luxembourg	12	6	3	1	1	1
Netherlands	12	6	3	1	1	1
Norway	12	6	3	1	1	1
Portugal	12	6	3	1	1	1
Spain	12	6	3	1	1	1
Sweden	12	6	3	1	1	1
Switzerland	12	6	3	1	1	1
Rest of Europe ex CEE	12	6	3	1	1	1
CEI, N. Africa, former French Africa, Middle East	12	6	3	1	1	1
Gulf States, Asia, Central and South America, South Africa	12	6	3	1	1	1
Rest of Africa	12	6	3	1	1	1

## Your Own Offshore Firm? Think Twice

By Michael D. McNickle

ANY given day, according to some estimates, about half of all foreign deposits in the world are sitting in offshore companies and bank accounts. While most of it belongs to multinational corporations and institutions, a small, growing portion belongs to individuals, many of whom have created offshore companies.

But how exactly does one set up an offshore company or even an offshore bank account? Is it really worth it, or even legal? How much will it cost? The answers are complex. While it is generally legal for American and British nationals, for example, to establish such entities, the lawful ways to go about it, and the benefits, are not always clear.

Barry Engel, a principal of Colorado-based Engel and Rudman, a law firm specializing in asset-protection trusts, notes that for a variety of reasons, people have some pretty funny ideas about offshore companies. Many American investors, he said, have the mistaken notion that money invested overseas is not taxable until it is brought back into the United States.

"I get probably one or two calls a week where people start to talk about forming a foreign corporation," Mr. Engel said. "The first thing I ask is: 'Why are you doing this? What do you seek to accomplish?'"

Later that evening, they will return with briefcases and handbags stuffed with cash. For in Luxembourg, they will have picked up dividend checks from their investments in offshore bond or equity funds. It will be a pleasant day out, made all the more satisfying by the fact that the Belgium taxman can do nothing to stop them.

Such expeditions are by no means limited to Belgium, of course. Investors of all nationalities have been known to jet in and out of offshore centers, weighed down with slightly heavier valises on the return trip.

But who is likely to win this increasingly complex game of cat and mouse between the tax cheat and the tax collector? It is possible that investors can succeed in hiding all of their capital gains and dividends, or will a dreaded tax demand, accompanied by a cordial letter informing the recipient of an imminent audit — drop through the mail slot one day?

Gerard Gebhard, a tax specialist at Fleming Fund Managers in Luxembourg, says: "It is all a matter of how people go about it. Certain things will be very difficult for the tax authorities to trace. The main danger is getting money in and out of an offshore center. Once it is there it is safe."

For the moment, the odds appear stacked in favor of the investors. Clever accountants and lawyers can easily come up with effective evasion schemes, analysts say. And no bank or fund company in the Cayman Islands, Dublin, Luxembourg or Bermuda — to name a few offshore centers — is legally bound to disclose the financial position of any investor.

Mr. Engel said that such queries often lead to a discussion in which he ends up quickly dispelling popular myths about offshore companies and investments. Specialists say that the top three legitimate reasons why an individual might want to establish a company or account offshore are privacy, asset protection from litigation, and carefully selected investments. The exact purpose of the offshore company or account, analysts add, will often determine in which territory it should be set up.

Indeed, picking the right type of entity in the locale best suited to one's individuals needs has become an increasingly difficult matter as the number of offshore centers has multiplied. Walter H. Diamond, vice president of the Isle of Man-based Offshore Institute, a group that conducts research and seminars, notes that there are now at least 60 separate offshore jurisdictions, each of which has its own advantages and disadvantages.

Mr. Diamond said that it is always a good idea for people to actually "go there, and take a look" at the locale, no matter how remote it might be.

"There's no such thing as a perfect jurisdiction," Mr. Engel said. "They vary dramatically. You want to look at everything from the specific laws they have, their infrastructure, political and social stability, geographic considerations and the cost structure."

Anthony Ginsberg, publisher of Santa Monica-based Offshore Outlook, a newsletter that monitors industry trends, said that one jurisdiction currently in favor is the British Virgin Islands. According to Mr. Ginsberg, those islands account for roughly one fourth of the 100,000 registered companies in the 12 largest offshore centers globally.

The British Virgin Islands, with the Bahamas, Turks and Caicos islands following suit, have also been aggressively going after offshore business, Mr. Ginsberg noted.

"Basically, you can incorporate within 24 hours," he said. "You don't need auditors, you don't need all kinds of things. There are no taxes, and the actual incorporation and registration fees are very, very low compared to the Channel Islands and some other centers."

A simple use of an offshore company is to enhance privacy. For example, if executives or celebrities do not want their home address to appear in real estate records, they might elect to have the property owned through an offshore company. This would make it nearly impossible for someone to find their residence.

Ownership of anything from a bank to a boat can be legitimately transferred to such an offshore company, with similar results.

Mr. Engel said that an offshore company of this type will add a degree of privacy, but does little to actually protect assets, because the owner of the offshore company holds the shares. "Ownership is what leads to assets being exposed to lawsuits," he said. "In other words, we may set up an offshore trust. But nobody 'owns' a trust."

Mr. Engel said that if an individual is faced with litigation, he can fully disclose his relationship to the trust in court, but the assets are out of reach. Kevin Mirecki, an attorney and managing director of American International Corporate Services in Los Angeles, a firm that acts as a corporate agent in offshore havens around the world, said that in most instances, U.S. expatriates don't really get any special breaks when it comes to simply setting up an offshore investment account. He noted that American citizens are subject to U.S. taxes on investment income earned anywhere in the world.

Anthony Artabane, a partner with Price Waterhouse Investment Funds Services Group, said expatriates should pay close attention to the tax and legal angles and "how that fits in with your home country's rules."

Adam Courtenay, consulting editor for the Offshore Financial Review in London, warns that expatriates should also be careful who they do business with in the offshore field. The offshore arena, he said, has always had its share of "dodgy characters, in which case companies have been used for fraudulent purposes."

Greg Hope, a tax specialist at Towers Perrin, a London-based firm of actuaries, says: "Most free-lancers are paid gross. It is then left to their conscience to decide how much to declare. Providing their contract is with a company outside the country in which they are resident, they could get away without declaring the payment."

Money earned by a U.S. consulting engineer on a free-lance contract with a German company, for example, could be paid into a German account and then shuffled into a Luxembourg fund without the U.S. tax authorities knowing anything about it. The chances of the German bank alerting U.S. tax authorities, moreover, are minuscule.

Many offshore fund managers will simply not accept cash nowadays. Others will accept the money and, if it appears suspicious in origin, notify authorities immediately.

And while electronic transfer is acknowledged as the easiest way to get money offshore, such movements leave traces in bank records which, in many countries, can then be inspected by tax authorities if they have any suspicions of wrongdoing.

Such potential traps did not stop the shifting of an estimated \$0.8 billion (\$30.6 billion) by German investors to Luxembourg, Austria and the Bermuda over the last two years, however, a stampede prompted by savers rushing to guard their money from a new German withholding tax. Most, say ana-

lysts, are likely to get away undetected. "There is virtually no way for the German tax authorities to check out who invested what in Luxembourg," said Thomas Balk, an officer at Munich-based Hypo-Bank. "I would regard Luxembourg as pretty safe."

Tax authorities may have an even tougher job in combating the nimble expatriate, or the free-lancer who lives in one country but earns income in another. Such people have an excellent chance of hiding investment profits. And money which they transfer around the world can easily disappear undetected into offshore funds.

Greg Hope, a tax specialist at Towers Perrin, a London-based firm of actuaries, says: "Most free-lancers are paid gross. It is then left to their conscience to decide how much to declare. Providing their contract is with a company outside the country in which they are resident, they could get away without declaring the payment."

Money earned by a U.S. consulting engineer on a free-lance contract with a German company, for example, could be paid into a German account and then shuffled into a Luxembourg fund without the U.S. tax authorities knowing anything about it. The chances of the German bank alerting U.S. tax authorities, moreover, are minuscule.

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## Offshore Investors Face Tough Choices

By Martin Baker

EXACTLY where your money is located may not have much direct impact on its investment performance, but it affects just about everything else. There is a simple checklist for the international fund investor looking to choose an offshore home for investment funds. Satisfy yourself that these few, simple criteria have been met, and you should be able to achieve something close to the ideal combination of discretion and security.

Regulation. If there is one palpable truth to be extrapolated from the continuing murkiness and mystery known as the BCCI affair, it is that regulators do not know how to cooperate in dealing with international firms. But there is an important difference between the constantly shifting assets of an international bank such as BCCI and the theoretically more stable monies of a collective investment vehicle.

The money in an offshore fund should stay firmly under the supervision of the chosen regulatory authority.

The classic trade-off is between regulation and taxation. The usual rule is that the more stringent the former, the heavier the latter. But the truth is that there is no ideal location for

every fund. It depends on circumstance. For example, if investors choose a fund that has a flexible investment concept, the regulatory authorities may not like it.

The extremely popular "umbrella fund" concept — where the investor commits money to one vehicle with a choice of allocating it to various, "sub-funds" invested in different assets — is not acceptable to the Swiss regulatory authorities, but is extremely common in jurisdictions such as Luxembourg.

Some fund experts believe that similar "feeder"-type structures may actually help the

The classic trade-off is between regulation and taxation.

investment performance of international funds. Cleverly structured feeder funds "may enable foreign investors to achieve a higher return when compared to investment in a foreign fund which directly owns [domestic] securities," said a spokesman for Dublin-based consultancy and accounting firm KPMG Kennedy Stokes Crowley.

The jury, however, is still

very much out on this issue. It is possible to invest in funds domiciled in "brass plate" jurisdictions with minimal reporting requirements, and virtually no taxation. But investors taking such a risk will need to be satisfied that the other criteria for making a safe investment are fully met.

Taxation. The other side of the coin from reporting and regulation, the taxation of offshore funds varies enormously from jurisdiction to jurisdiction, although the absence of withholding taxes on investment income for non-resident investors is fairly universal.

Indeed, the hot topic in the European fund industry is the attempt by Germany to impose withholding taxes on funds domiciled in Dublin and Luxembourg. But these domiciles are within the European Union and relatively highly taxed and regulated. As offshore centers go, these are close to the mainland.

If the fund is located outside the European Union in a jurisdiction which has a double-taxation treaty with the country where the investor is domiciled, withholding tax can be eliminated. However, the benefits obtained under the double tax treaty may be outweighed by the level of domestic tax imposed on a fund.

Reputation. Investors would do well to look at the sad procession of investment

scams, of which the MMM debacle in Russia is merely the latest and most egregious example.

Although readers may feel themselves more financially sophisticated and generally better versed in the wiles of capitalism than the average Russian, the message bears reiteration: Only do business with firms that have a long-established reputation. If you want to invest relatively safely, that is. If you like the promises of guaranteed capital gain, certain winners and free lunches, deal with whom you like.

But in general, well established firms are not going to offer scams to the public, and they also tend to have local offices — which helps if you want real information.

Location. The whole idea of an offshore center is that of being away from home. But it does facilitate investor happiness if the fund center is in the same time zone and the people taking care of your money speak at least one of the languages in which you are comfortable.

Readers are exhorted to choose well, choose wisely, and not to forget that investing offshore does not always exempt the investor from local tax requirements.

Additional reporting by Barbara Wall.

## BRIEF CASE

## American Heritage's Sibling Taking Off

A recent arrival on the U.S. mutual fund scene is the American Heritage Growth Fund, a vehicle which aims to invest in undervalued companies. The fund is attracting more interest than usual because of its older sibling, the American Heritage Fund.

The \$91 million American Heritage Fund was a widely publicized success story until this year. Manager Heiko Thiemme's strategy of making big bets on speculative companies paid off spectacularly, returning an average 52.28 percent annually from 1991 through 1993. But this year the fund has plunged 28 percent, mostly because of its large stakes in troubled small companies.

Mr. Thiemme will also run the new fund, and hopes to deliver some of the bounce of the original, minus the risk. Among its current holdings are Exxon, Merck, the pharmaceutical group, and Micron Tech-

nologies, a computer chip maker. An initial investment of \$5,000 is required. For more information, call (1-212)474-7308 in the U.S., or fax 397-4036.

## New Guide Offered To Emerging Markets

Kleiman International Consultants, whose bailiwick is emerging stock and bond markets, has published a guide to bond markets in 70 small countries.

The tome, called "Emerging Bond and Money Market Guide," surveys sovereign and corporate issues, denominated in local and western currencies, available in the different markets. It also goes over such issues of interest to would-be investors as taxation and foreign exchange controls, and summarizes the financial and economic climate in each country.

The guide is certainly not for everybody, and it's priced that way. At \$425, the 150-page book costs about the same as a \$1000 face-value Venezuelan Brady bond.

For more information, or to order the book, call Kleiman in Washington on (1-202)686-4200, or send a fax to 686-4646.

## Amex Lists Warrants For Japan Equities

Japan is the flavor of the month at the American Stock Exchange. The Amex last week began listing warrants on Japanese stocks and on the yen.

The brokerage Bear Stearns has floated a series of call and put warrants on the Japan Index, an Amex contrivance that is essentially equal to one-tenth the value of the Nikkei 225, the benchmark index of Japanese shares. The strike price of the two-warrant series, the index point at which the intrinsic value is zero, is 207.65.

The yen warrants, issued by Paine Webber, have a two-year trading life and a strike price of 99.9 yen.

The Money Report is edited by Martin Baker

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Spain	Ptas. 55,000	27,500	14,500
Sweden (GSM)	S.Kr. 3,100	1,700	900
Switzerland	S.F. 910	535	295
Rest of Europe ex CEE	\$ 485	265	145
CEI, N. Africa, former French Africa, Middle East	\$ 630	345	190
Gulf States, Asia, Central and South America, South Africa	\$ 790	430	235
Rest of Africa	\$ 900	495	270

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## SPORTS

## U.S. Player Ramos Plans To Rejoin Spanish Club

By Robert McG. Thomas Jr.  
New York Times Service

NEW YORK — If he tries to pick up anything heavy he gets a headache. He can't run or exert himself, and even a little header for the benefit of photographers is out of the question.

Even so, a month after he caught an elbow that fractured a bone in his skull during the U.S. soccer team's 1-0 loss to Brazil during the World Cup, Tab Ramos is on the mend.

Having been recuperating at his parents' home in Hillsdale, New Jersey, he plans to leave for Spain on Tuesday, to resume light training within a few weeks. He hopes to rejoin his club team, Real Betis, by the end of October, two months into the season.

Any tendency to self pity was dispelled Thursday when Ramos stopped by Ronald McDonald House in Manhattan to pose for pictures, sign auto-

graphs and mix it up lightly with children.

"What happened to me was nothing," he said, glancing at a few of the approximately 75 children who live at the East 73rd Street facility while in New York for cancer treatment.

The most dedicated young fan turned out to be Gabriel Moreira, an 11-year-old from Brazil. Ramos, born in Uruguay, found common ground.

"I wanted Brazil to win myself," Gabriel said. "They were the best team."

Mirza Smilbegovic, a 4-year-old from Bosnia, was a tougher sell, perhaps because he and Brian Leetch of the National Hockey League's New York Rangers have become pals.

No, Mirza said, he did not watch the World Cup.

"I watched the hockey players," he said. "Brian won the big trophy."

• While 44 percent of American adults surveyed watched at

least one World Cup match on television, according to a Harris Poll, 69 percent don't care if there's a new professional soccer league in the United States. The Associated Press reported.

The survey, released Thursday, said 53 percent of respondents were more interested in soccer than before the World Cup. 24 percent said their interest remained the same and 23 percent said it decreased.

Those who did tune in liked what they saw. Forty-three percent found it very enjoyable and 39 percent found it somewhat enjoyable.

And those who tuned in were the audience that interests sports advertisers. Fifty-five percent of males surveyed watched at least one game. Fifteen percent of those with a household income of more than \$50,000 watched at least one game and 49 percent with a household income of between \$35,000 and \$50,000 watched.

Twenty-nine percent of those surveyed would like to see a new professional league.

Even among those who watched the World Cup, 52 percent don't care if there is a new professional league, while 47 percent would like to see one.

Among those who didn't watch the tournament, 82 percent don't care if there is a new league and 15 percent would like to see one.

The poll of 1,249 adults was conducted from July 25-28 and has an error margin of 3 percent.

Results of the survey showed far greater awareness of soccer than before the tournament. Three weeks before the World Cup began June 17, just 25 percent of those surveyed by the Harris Poll were aware the tournament was being held in the United States this year.

• Romario, who says he's had a grueling year, has offered a mea culpa to his Barcelona club for failing to show up — but he's still not going back.



Motoko Obayashi, left, and Aki Nagatomi celebrated after a 15-3, 15-3, 6-15, 15-11 victory over China gave Japan the bronze medal in the women's volleyball competition.

## Russians Sweep Skating Golds

The Associated Press

ST. PETERSBURG — The hometown favorites won two figure skating gold medals Friday night at the Goodwill Games.

Olympic champion Alexei Urmanov won the men's competition with his classical routine to Rossini while Artur Dmitriyev and Natalia Mishkutenok, skating almost flawlessly with power and elegance, easily won the pairs.

The winners, who all live in St. Petersburg, reprised their routines from the Olympics in Lillehammer.

Urmanov nearly missed a triple flip, but his marks of 5.8 and 5.9 were enough to beat Todd Eldredge of the United States, with Philippe Candeloro of France taking third place.

Dmitriyev and Mishkutenok led a Russian sweep in the pairs, with Marina Eltsova and Andrei Bushkov getting the silver and Evgenia Shishkova and Vadim Naumov the bronze.

Earlier, Surya Bonaly of France took the lead in the women's competition with a straight-forward performance in the technical program.

The one exception to a tour session in a nearly empty arena was St. Petersburg-born Olga Markova. She nailed a crisp triple lutz-double toe loop combination in placing second.

"They're absolutely right. I said I would report and I didn't. There must be punishment," the truant World Cup most valuable player said Thursday.

"If they want to fine me, no problem," he said. "I accept the punishment — and another 15 days in Brazil." (AP)

• Mohamed Ammari has been hired to replace Abdullah Blinda as coach of Morocco's national team following its 0-3 finish in the World Cup. (AP)

## DREAM: The Sequel as Film Noir

Continued from Page 1

most the 1992 Olympians surrendered was 85, in their 32-point, gold-medal conquest of Croatia. And that was against a team with three solid NBA pros on it, not the fifth-place European qualifier, which is what this Spanish team is.

The original Dream Team blew people out simply off the turnovers they created with their pressure and the resulting high-wire transition show. This time, the Americans actually produced four more turnovers than did the Spanish, who also out-assisted the U.S. pros, 17-16. That was more damning evidence that the NBA offense continues to deteriorate into a game of power dunking or 3-point shooting with little else in between.

Think about this: with Joe Dumars and Reggie Miller taking dead-eye target practice, the Americans shot 71 percent in the first half, and walked off with an 8-point lead. Lazy defense by O'Neal and Mourning resulted in many open jumpers, several by a 7-foot center named Ferran Martinez and 6-5 Jordi Villacampa, who scored a game-high 28 points.

When Alberto Herreros buried a 3-pointer with just over five minutes left in the first half, Spain went ahead by 42-41, sending its flag-waving fans in one section of the upper stand into the "Ole! Ole! Ole!" chant still reverberating around U.S. World Cup venues. The lead lasted only a few seconds, and then Kevin Johnson and Derrick Coleman led Team USA to the 8-point halftime lead that Dumars (21 points) and Miller (20) helped extend to as much as 23 with a flurry of 3-pointers early in the second half.

"The difference between Dream Team I and us was that they were able to get up on teams and put them away," said Miller, after Spain fought back, closing to 12 before it was over. By then, the Americans looked as if they just wanted the game to end, except for Dominique Wilkins and Steve Smith, who didn't get off Nelson's bench until the last few minutes of garbage time. Nelson said that, based on practice, those two are the odd men out of the rotation. So even a colleague, Christian Laettner, then again, Dally's Dream Team usually didn't waste much time in putting its opponent to sleep.

In other games, The Associated Press reported: In the other Pool A game, China surprised Brazil, 97-93, in overtime. China made eight straight free throws to open the overtime and took an 87-79 lead with 3:28 left. Brazil: closed

within two points twice, but China made 12 of 15 free throws in the overtime. Hu Weidong led China with 27 points, while Paulo de Almeida led Brazil with 26.

In Pool B, Croatia beat Cuba, 85-65, as Dino Radja of the Boston Celtics got 25 points and eight rebounds. Croatia's NBA frontline of Radja, Toni Kukoc of the Chicago Bulls and Stojan Vrankovic, formerly of the Celtics, helped Croatia finish with a 45-20 rebound advantage. Croatia shot 61 percent from the field, making 36 of 59 shots.

Australia beat South Korea, 87-85, despite scoring only one point over the final six minutes. South Korea closed an 86-71 deficit to 86-85 with 55 seconds to play before Andrew Gaze, who finished with 31 points, made one free throw with 13 seconds left. Kyung Eun Moon led South Korea with 24 points, all on 3-pointers.

In Pool C, Russia beat Argentina, 84-64, as Yevgeni Kisourin got 19 points, 12 on 3-pointers. Russia finished with a 45-23 advantage in rebounding and outscored Argentina, 33-19, from the free throw line.

Canada started its run as the first North American host to this event with an 83-52 victory over Angola. Jody Vucko, who led Angola with 14 points for Canada, which held Angola to just 15 field goals. Herlander Coimbra had 16 points for Angola and was 5-for-5 from 3-point range.

In Pool D, Jose Ortiz had 19 points to lead six scorers in double figures as Puerto Rico cruised past Egypt, 102-74.

Panagiotis Fassoulas had 18 points and 10 rebounds to lead Greece to a 68-38 victory over Germany. A 3-pointer by Giorgos Sigalas with 12:23 to play gave Greece the lead for good and started a 10-0 run.

Kukoc reportedly is close to signing a six-year deal with the Bulls that will pay him \$26 million and make him the highest paid player in the club's history — topping even Michael Jordan.

"I'm really happy about it," Kukoc told the Chicago Tribune, which reported the deal in Friday's editions.

The team's spokesman, Tom Smith, said Friday that the contract had not been signed yet, but that "hopefully, a deal is close."

As a rookie last season, when the Bulls paid him \$1.1 million, Kukoc averaged 10.9 points, 3.4 assists and four rebounds.

He was best-known for his last-shot heroics, hitting the game-winning shot in three regular-season games and in Game 3 of the Eastern Conference semifinals against New York.

In that game, Kukoc sank a 22-foot jumper while Scottie Pippen sat on the bench, having refused to play the last 1.8 seconds.

Pippen, who will earn about \$2.8 million next season, has said he would have a problem if Kukoc were to earn more than him.

"If I'm satisfied, I don't care what everyone else is going to make," Kukoc said.

## Williams Disputes Reports On Cause of Senna's Crash

Compiled by Our Staff From Dispatches

DIDCOT, England — The Williams racing team on Friday described as "unfounded" reports saying the crash that killed Ayrton Senna at the San Marino Grand Prix probably was caused by a broken steering column.

Reports in the French newspapers L'Equipe and Infomatin said Italian investigators had found a fracture in the column that could not have been caused by the car's impact with the concrete wall.

Infomatin quoted the team's chief designer, Adrian Newey, as saying the steering column was modified shortly before the race because Senna had complained he could not see his control panel clearly.

In a brief statement from its headquarters, Williams said:

"Current media reports giving information regarding the possible cause of Ayrton Senna's accident are not based on the official findings of the technical experts investigating the matter.

"They have not yet reached any conclusions and have asked the magistrates for a delay until the end of September.

"Therefore, any speculation prior to this date is unfounded."

• The Italian government gave its approval Friday to safety measures that would allow the Italian Grand Prix to be run Sept. 11, drawing protests from environmental groups outraged that hundreds of trees may be cut down.

Italy's minister for cultural and environmental treasures.

## SCOREBOARD

## BASEBALL

## Major League Standings

## AMERICAN LEAGUE

## East Division

Team	W	L	Pct.	GB
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New York	48	38	.558	0
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Baltimore	38	48	.441	10
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Boston	35	51	.402	13
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Toronto	32	54	.371	17
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Detroit	27	59	.314	22
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Chicago	24	64	.273	25
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Cleveland	22	66	.250	27
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Kansas City	22	66	.250	27
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Minnesota	21	67	.239	28
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Seattle	18	70	.205	31
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Los Angeles	17	71	.193	32
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San Francisco	16	72	.182	33
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San Diego	15	73	.170	34
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Philadelphia	14	74	.159	35
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Pittsburgh	13	75	.146	36
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Washington	12	76	.134	37
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Montreal	11	77	.122	38
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Atlanta	10	78	.111	39
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St. Louis	9	79	.100	40
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Chicago	8	80	.091	41
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Los Angeles	7	81	.080	42
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San Francisco	6	82	.071	43
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San Diego	5	83	.060	44
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Philadelphia	4	84	.050	45
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Pittsburgh	3	85	.040	46
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Washington	2	86	.030	47
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Montreal	1	87	.020	48
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Atlanta	0	88	.010	49
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St. Louis	0	89	.000	50
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Chicago	0	90	.000	51
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Los Angeles	0	91	.000	52
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San Francisco	0	92	.000	53
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San Diego	0	93	.000	54
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Philadelphia	0	94	.000	55
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Pittsburgh	0	95	.000	56
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Washington	0	96	.000	57
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Montreal	0	97	.000	58
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Atlanta	0	98	.000	59
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St. Louis	0	99	.000	60
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Chicago	0	100	.000	61
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Los Angeles	0	101	.000	62
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San Francisco	0	102	.000	63
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San Diego	0	103	.000	64
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Philadelphia	0	104	.000	65
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Pittsburgh	0	105	.000	66
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Washington	0	106	.000	67
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Montreal	0	107	.000	68
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Atlanta	0	108	.000	69
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St. Louis	0	109	.000	70
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Chicago	0	110	.000	71
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Los Angeles	0	111	.000	72
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San Francisco	0	112	.000	73
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San Diego	0	113	.000	74
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Philadelphia	0	114	.000	75
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Pittsburgh	0	115	.000	76
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Washington	0	116	.000	77
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Montreal	0	117	.000	78
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Atlanta	0	118	.000	79
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## Thursday's Line Scores

## AMERICAN LEAGUE

## Oakland

Oakland	000	001	010	-3	4
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Kansas City	100	100	120	-5	11
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Revere, Hanson (10), Escobedo (10)					
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St. Louis	000	000	000	-0	0
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St. Louis	000	000	000	-0	0
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St. Louis	000	000	000	-0	0
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St. Louis	000	000	000	-0	0
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St. Louis	000	000	000	-0	0
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St. Louis	000	000	000	-0	0
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St. Louis	000	000	000	-0	0
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St. Louis	000	000	000	-0	0
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St. Louis	000	000	000	-0	0
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St. Louis	000	000	000	-0	0
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St. Louis	000	000	000	-0	0
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St. Louis	000	000	000	-0	0
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DAVE BARRY

## Some Brilliant Ideas

MIAMI — Today we present Science Quadrant, a look at some wonderful ideas developed by brilliant scientists.

Our lead item concerns an exciting medical breakthrough: **ROBOT IN YOUR COLON:** We found out about this thanks to the May 18, 1994, issue of the Massachusetts Institute of Technology's Tech Talk, featuring an article about an MIT student who has invented a miniature remote-controlled robot designed to crawl far into your large intestine. This will be a great boon to the medical profession, which, as you know, is always looking for new things to stick as far as possible into our various bodily orifices.

So you just know that the colon robot is going to be a big hit in the medical community. Tech Talk states that the robot, which looks like a tiny tank, is equipped with a claw to "grasp and carry objects," and that it "can be operated by a person with a joystick... but it also functions independently when untethered."

That last statement worries us. We don't want a robot of this nature—especially if it has a claw-functioning independently. ("Hey, has anybody seen the colon robot?" "No, but I'll keep an eye OOOOWWWW HEY GET OUT OF THERE.")

At this point you're asking, "How soon can I, the medical consumer, have this device creeping around in my intestinal tract?" The answer, unfortunately, is "not yet." The problem is that whatever idiot designed the human body was clearly not thinking in terms of robot access. According to Tech Talk, the large intestine "is wet, slippery and lacks firm surfaces," the robot, as currently designed, does not maneuver well in there. It might get stuck inside you, and then the medical profession would have to send in a miniature American Automobile Association Tow Truck Robot, wearing a tiny blue uniform with

its name ("Roy") embroidered over the shirt pocket.

So they're working on building a better colon robot, and we hope they succeed, just as we hope that one day scientists will develop

**THE SPY FLY:** We found out about this thanks to a special issue of the newspaper Federal Times put out for Public Service Recognition Week, which honors government employees (motto: "You Have the Wrong Department"). The issue begins with a message about improving government written by (speaking of robots) Vice President Al Gore, who makes the following statement:

"When the IRS asked customers what they wanted, the IRS got a surprise. Customers wanted simple forms, help that is easy to get, and very little contact with the IRS."

We can certainly see how these findings would surprise the IRS, just as they would surprise any normal American who has spent the past 75 years encased from head to toe in cement. But that is not our point. The point is that this same issue of Federal Times has an article about the federal government's Technology Reinvestment Project, which is spending millions of dollars to develop new technologies for exciting uses, such as the Spy Fly.

How would the Spy Fly work? Federal Times asks us to imagine a scenario in which the dictator of a "ferociously aggressive nation" is in his underground bunker, planning a nuclear attack.

"As the dictator talks," says Federal Times (we are still not making these quotes up), "a fly crawls, unobserved, across the ceiling. The fly is equipped with a sophisticated electronic listening device, far smaller than a human pore. Later, the fly will bring his precious load of recorded information back to a U.S. intelligence officer."

We here at Science Quadrant think this would be a fine use of our tax dollars.

Knight-Ridder Newspapers

## The Other Victims of the Guns of August

International Herald Tribune

LONDON — This week marks 80 years since the guns of August fired, leading to four years and three months of unparalleled savagery and needless sacrifice. "O Jesus, make it stop," wrote the poet Siegfried Sassoon, a decorated officer, but when it did stop it did not end.

On July 1, the anniversary of the start of the Somme battle in 1917, a member of Parliament, Andrew Mackinlay, presented a bill granting posthumous pardons to the 346 British soldiers who had been court-martialed and shot at dawn in the Great War.

## MARY BLUME

ish soldiers who had been court-martialed and shot at dawn in the Great War. Mackinlay's earlier version of the bill, last October, was killed. John Major having said "it would be a mistake to try and rewrite the events of the past." This summer's bill also failed but Mackinlay, a Labor Party member whose co-sponsors include members from all parties from Tory to Welsh Nationalist, says he will keep trying. "I see this as a memorial to those soldiers," he said.

The Somme offensive resulted in the loss of 420,000 men from the British Expeditionary Force and in no strategic gain. In the four months from its start, 32 soldiers were executed, only three of whom had had medical examinations. "The death penalty is instituted to make such men fear running away more than they fear the enemy," the satisfied commander of one of the executed men said. The charge was usually cowardice or desertion.

The executions represent a tiny number among the millions slaughtered, but they are a potent symbol of the war's injustices. The graves are forever marked. Died in Action, rather than Killed in Action or Died of Wounds (although one irate family demanded that Shot at Dawn be inscribed on their son's headstone), and deaths were often as arbitrary as a sniper's bullet, being based on a procedure that did not require proper inquiry or rules of evidence, a decent defense or the right of appeal. "An archaic and macabre ritual," says Anthony Babington in a book whose title is in itself a summary: "For the Sake of Example."

Babington's book, published in 1983 and in a revised edition last year, is the base of later studies and of Mackinlay's bill. Babington, a retired judge who was twice wounded and won the Croix de Guerre in World War II, began his research as part of a history of army discipline, then was intrigued when he saw how closely the number of executions followed the pattern of military disasters.

He was the first person to be given access to the then-secret records by the Judge Advocate General who told him he was glad to do so, having looked at one or two cases and being sure that everything was right and proper.

"And of course directly I sat down to read the first few cases, I could see it was not," Babington said. The courts-martial were overburdened, conduct-



In horrendous World War I trench conditions, some soldiers cracked and were executed; now pardons are sought.

ing an average of 160 trials per day during the four years of the war. They were also usually ill-informed and often highly prejudiced. The procedure, since discarded, was that the court consist of three officers, that the accused be allowed a defender, usually called the Prisoner's Friend, and that death sentences be confirmed by the Commander in Chief. No legal training was required, often the accused was unrepresented, witnesses would frequently be absent or unidentifiable.

Babington says the trial notes he consulted were very scant and showed no signs of legal training. The files sent to the Commander in Chief often contained prejudicial hearsay. "I remember one brigadier who said, 'this NCO is a thoroughly bad lot, he is known to be such in his battalion.' Until almost the end of the war, a man who had been sentenced to death was informed only just before his execution."

A few of the executed were indeed a thoroughly bad lot, murderers and rapists, which is why Babington favors a case by case review rather than a blanket pardon. But his book makes clear that a majority of the men suffered from shell shock, although evidence

of previous wounds or mental treatment was not given and the very existence of shell shock often denied. A sergeant, who had fought bravely through 11 nonstop months and was praised for his keenness by his company commander, was accused of "shamefully casting away his arms in the presence of the enemy," his legs having suddenly given out before an attack. The medical officer found no sign of muscular rheumatism, so the sergeant was shot.

The British trenches were less well-built than the German, sometimes neck-high in mud, filled with the stench of dead comrades and huge insects known as corpse flies. British soldiers were issued steel helmets only in 1916 and even then some officers refused to allow their men to wear them (the French had them from 1915) and they served longer on the line than the French. Only in 1917 were they allowed as much as 10 to 14 days leave every 15 months.

Records of German World War I executions were destroyed, but Babington cites a German historian's figure of 150 death sentences and 48 executions. The French Army, plagued by mutinies, has never released its figures. Only three of the 346 British executed were officers, less a sign of privilege. Babington thinks, than of better training and (this he bases on his World War II experience as a captain) of having the mental and emotional protection of being physically responsible for other men's lives.

Members of Parliament were aware from 1914 that the executions were often unjust and questions were raised throughout the war, always reassuringly answered by the Undersecretary for War. "What was really horrifying," said Babington, "was that the Undersecretary for War got up in the House of Commons and quite near the end of the war said that he hadn't come across a case where a man had been executed who had been previously wounded or treated for shell shock, which was absolute — well, let us hope he was misinformed."

So Andrew Mackinlay's bill follows parliamentary tradition and he says his mail is overwhelmingly in support. "John Major's argument that it is past history would be valid if we were talking about the Napoleonic or Boer wars, but we all have fathers or grandfathers or great-grandfathers who fought in the Great War. As long as we go to the war memorial every year to remember them, this question has to be of our times."

"It is not the most important thing in the world, but it is important," he said.

Judge Babington regards it as essential that justice be done, even retroactively. Certainly not reviewing the subject is just another non-answer to the question posed by Isaac Rosenberg, killed at dawn while on night patrol, in a poem called "August, 1914."

What in our lives is burnt  
In the fire of this?

## PEOPLE

## Jackson and Presley Arrive in Budapest

Michael Jackson and his bride, Lisa Marie Presley, arrived in Budapest late Friday. His spokesman, Lee Solters, said it was the couple's first appearance in public since the announcement this past week that they had married in secret outside the United States 11 weeks ago. Jackson is filming a video promotion of him rescuing a generic Communist state from Red Army troops in Budapest. Mr. Solters said the couple would visit a children's hospital Saturday.

Franco Zeffirelli, the film director, says he's still haunted by the memory of the German soldier he killed 51 years ago during the war. In an interview in Corriere della Sera, he says: "In those moments you just don't think, either you are the first one to shoot or you're dead." But he adds, "It's a story that has bothered me all my life."

Jerry Lee Lewis, 58, is inviting tourists to his un-Graceland-like ranch-style home in Neshit, Mississippi, to help him pay off a \$560,000 tax debt to the IRS. Five dollars a visit.

What's in a name? When the name is Rush, as in Rush Limbaugh, enough for a lawsuit. Aaron Harber, a businessman, and failed Democratic candidate for Colorado secretary of state, wants to host a liberal radio talk show. "After the Rush," Lawyers for Limbaugh have threatened legal action while the American Civil Liberties Union has filed a suit in Harber's behalf, citing free speech and free enterprise.

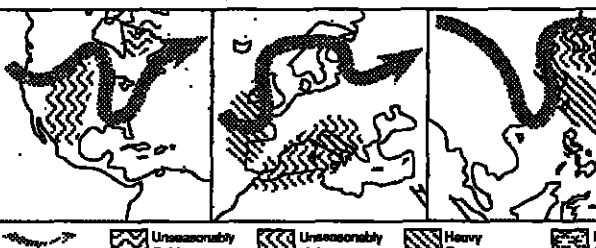
The Rolling Stones obviously had better things to do. The band skipped a tour of the White House although some members of their entourage did show up for a private tour.

INTERNATIONAL CLASSIFIED  
Appears on Pages 6 & 11

## WEATHER

Europe				Asia			
City	Temp	Wind	Clouds	City	Temp	Wind	Clouds
Algeria	26/32	15/20	25/32	21/70	21/70	21/70	21/70
Amsterdam	22/71	16/81	22/71	17/62	22/71	17/62	22/71
Athens	21/82	14/27	21/82	14/27	21/82	14/27	21/82
Berlin	20/68	22/72	20/68	22/72	20/68	22/72	20/68
Bombay	32/81	18/64	32/81	18/64	32/81	18/64	32/81
Buenos Aires	27/80	16/81	27/80	16/81	27/80	16/81	27/80
Calcutta	34/82	20/68	34/82	20/68	34/82	20/68	34/82
Cape Town	24/78	12/52	24/78	12/52	24/78	12/52	24/78
Chennai	32/88	24/78	32/88	24/78	32/88	24/78	32/88
Cairo	28/82	18/64	28/82	18/64	28/82	18/64	28/82
Dubai	34/82	20/68	34/82	20/68	34/82	20/68	34/82
Frankfurt	22/71	16/81	22/71	16/81	22/71	16/81	22/71
Hamburg	22/71	16/81	22/71	16/81	22/71	16/81	22/71
London	22/71	16/81	22/71	16/81	22/71	16/81	22/71
Madrid	22/71	16/81	22/71	16/81	22/71	16/81	22/71
Moscow	22/71	16/81	22/71	16/81	22/71	16/81	22/71
New Delhi	32/81	18/64	32/81	18/64	32/81	18/64	32/81
Paris	22/71	16/81	22/71	16/81	22/71	16/81	22/71
Rangoon	32/81	18/64	32/81	18/64	32/81	18/64	32/81
Seoul	22/71	16/81	22/71	16/81	22/71	16/81	22/71
Singapore	32/81	18/64	32/81	18/64	32/81	18/64	32/81
Tokyo	22/71	16/81	22/71	16/81	22/71	16/81	22/71

Forecast for Sunday through Tuesday, as provided by Accu-Weather.



**North America**  
A few showers will linger over Florida early next week. The rest of the East will have dry, pleasant weather Sunday and Monday. An Atlantic storm will spread rain into Ireland Tuesday. A cold front will bring relief from the current heat wave as far south as Geneva and Prague early next week. Rome and Athens will be sunny and hot.

**Europe**  
Dry, pleasant weather will settle over the British Isles Sunday and Monday. An Atlantic storm will spread rain into Ireland Tuesday. A cold front will bring relief from the current heat wave as far south as Geneva and Prague early next week. Rome and Athens will be sunny and hot.

**Asia**  
Abnormal heat and drought will persist from Japan through Korea into early next week. Typhoon Doug will pass by northern Taiwan Sunday and approach central China early next week. Heavy rain will continue in the northern Philippines. Singapore will be warm with a stray shower.

**Africa**  
Abnormal heat and drought will persist from Japan through Korea into early next week. Typhoon Doug will pass by northern Taiwan Sunday and approach central China early next week. Heavy rain will continue in the northern Philippines. Singapore will be warm with a stray shower.

**Latin America**  
Abnormal heat and drought will persist from Japan through Korea into early next week. Typhoon Doug will pass by northern Taiwan Sunday and approach central China early next week. Heavy rain will continue in the northern Philippines. Singapore will be warm with a stray shower.

**Middle East**  
Abnormal heat and drought will persist from Japan through Korea into early next week. Typhoon Doug will pass by northern Taiwan Sunday and approach central China early next week. Heavy rain will continue in the northern Philippines. Singapore will be warm with a stray shower.

**Oceania**  
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## POSTCARD

## Saratoga Springs: Horse Racing Aficionados' Paradise

By William Grimes

New York Times Service

SARATOGA SPRINGS, N.Y. — The world of horse racing can be harsh, even seamy, sometimes. Aqueduct in Queens on a freezing winter day, for example, is not a sight to gladden the heart, and the sound of grown men banging on trash cans and cursing as their long-shot play falls does not please the ear.

The horses still look noble, but there's not much else to prop up the image of thoroughbred racing as the sport of kings. When the wind off Jamaica Bay howls down the back stretch, there's only one thing to do: dream of Saratoga.

The annual summer meeting at Saratoga Springs, New York, now in its 126th year, is horse racing's Garden of Eden: Five weeks of top-quality racing presented in ideal surroundings and wrapped in the festive atmosphere of a county fair.

Money is wagered, of course. But for a brief, idyllic interlude, finer feelings come to the fore.

Love would not be too strong a word to

introduce here. Horseplayers really do love their sport, and the horses that compete in it. It says everything about Saratoga that last year a fan organized Fourstarade Day, in honor of the old-timer who now has trotted out onto the main track and won a turf race eight years in a row. For his special day last summer, Fourstarade was walked over to Saratoga's restaurant, a Saratoga institution situated near the clubhouse entrance, where he was presented with the keys to Saratoga Springs. There will be another Fourstarade Day on Aug. 27.

If racing fans go a little crazy at Saratoga, it's not their fault. The atmosphere intoxicates them. The race track itself was laid out in 1863 and remodeled in 1902. In the all-wooden grandstand, a Victorian masterpiece with cupolas, old-fashioned ceiling fans stimulate the air. To signal the scratches for the next race, a worker hoists wooden plaques up a pole.

Most unusually, the track is of a piece with the town, which was conceived as a state pleasure dome, a mineral springs

spa with gambling and racing tacked on. It was a Victorian Las Vegas, a town for high rollers, swells and nabobs riding the big-money waves of the Gilded Age. Henry James found the place disgusting.

But time has worked a transformation. A bit of the raffish feeling lives on. But the summer homes that James dismissed as vulgar eyecrowns now count as masterpieces, high-Victorian jewels set in spacious lawns, radiating a sense of amplitude and the brass-plated confidence that multiple millions of dollars buy.

Saratoga Springs attracts thousands of visitors who have no intention of placing so much as a \$2 show bet. Throughout the summer the Saratoga Performing Arts Center offers a schedule of rock concerts, operas by the Philadelphia Orchestra and performances by the New York City Ballet. The town is also the site of the National Museum of Dance. There is more to the place than horses.

But for the horseplayer, Saratoga is summer camp, a place to watch horses, think horses and talk horses from dawn to dusk.

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COUNTRY	ACCESS NUMBER	COUNTRY	ACCESS NUMBER
ASIA			
Australia	1-800-881-0111	Italy	172-1011
China, PRC	10811	Liechtenstein	155-00-11
Guam	018-872	Lithuania	8-1356
Hong Kong	800-1111	Luxembourg	0-800-0111
India	000-117	Macedonia, F.Y.R. of	99-800-4288
Indonesia	001-801-10	Malta	0800-890-110
Japan	0039-111	Monaco	194-0011
Korea	009-11	Netherlands	06-022-9111
Korea, S.	11	Norway	800-190-11
Malaysia	800-0011	Poland	0-010-480-0111
New Zealand	000-911	Portugal	05017-1-288
Philippines	105-11	Romania	01-800-4288
Saipan	235-2872	Russia (Moscow)	155-5042
Singapore	800-0111-111	Slovakia	00-420-06101
Sri Lanka	430-430	Spain	900-99-00-11
Taiwan	0080-10288-0	Sweden	020-795-611
Thailand	0019-911-1111	Switzerland	155-00-11
EUROPE			
Armenia	8-14111	Ukraine	8-100-11
Austria	022-903-011	MIDDLE EAST	
Belgium	0800-100-10	Bahrain	800-001
Bulgaria	00-1800-0010	Cyprus	080-20010
Croatia	99-38-0011	Israel	177-100-7777
CARIBBEAN			
Bahamas	1-800-872-2881	Bermuda	1-800-872-2881
Barbados	1-800-872-2881	British V.I.	1-800-872-2881
Cayman Islands	1-800-872-2881	Guatemala	1-800-872-2881
Haiti	001-800-872-2881	Jamaica	1-800-872-2881